U.S. Department of the Interior • Bureau of Land Management

Annual Report on Performance and Accountability

Fiscal Year 2006

BLM

U.S. DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

PREFACE

The Bureau of Land Management (BLM, or Bureau) is a small agency with a big mission and a lot of ground to cover. We administer more Federal lands than any other agency: over 258 million acres of public lands and their myriad resources, plus hundreds of millions of acres of subsurface mineral estate.

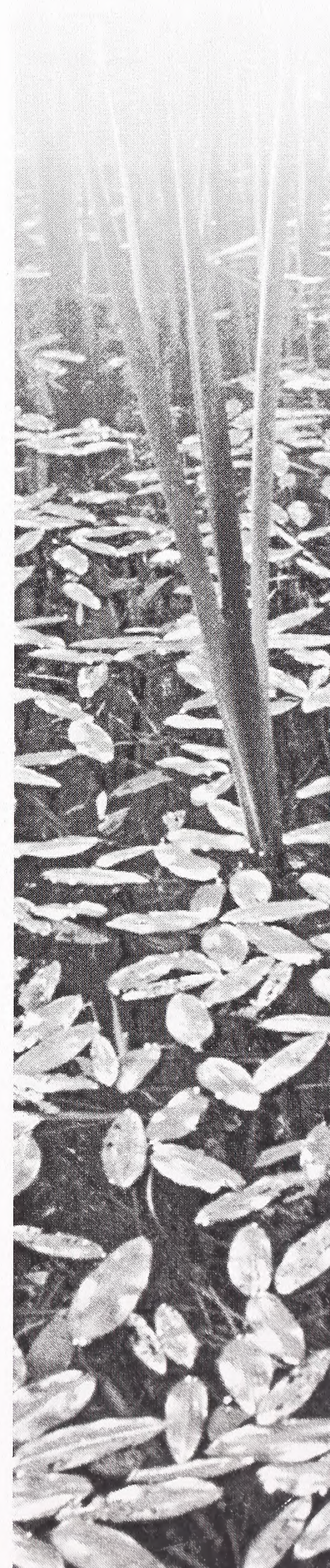
Our workforce is spread across the country in numerous state offices and field offices. Most of the public lands and resources we manage are in the western states and Alaska. Our Eastern States office in Virginia manages land and natural resources in 31 states east of and bordering the Mississippi River. We also have national centers for business, science and technology, human resource management, and information resource management in Denver; fire management in Boise; and training in Phoenix. Our headquarters is located in Washington, D.C.

In managing the Nation's vast public land holdings for multiple uses, we perform many tasks: resource inventory, land use planning, environmental impact assessment, land surveying, road construction, fish and wildlife habitat restoration, and resource condition monitoring, to name just a few.

Public lands administered by the Bureau include millions of acres of open rangelands; geological formations containing the oil, gas, coal, and other minerals needed to sustain our economic well-being; recreation areas and remote landscapes with spectacular scenery and opportunities for solitude; fishable streams; high forested slopes; alpine tundra; majestic canyons; and rugged badlands.

We invite you to read our 2006 Annual Report and see what we have accomplished. Take a moment to reflect on the wealth of resources and opportunities offered by America's public lands . . . and this year, think about planning a visit to *your* public lands!

TABLE OF CONTENTS



OUR VISION

To enhance the quality of life for all citizens through the balanced stewardship of America's public lands and resources.

OUR MISSION

To sustain the health, diversity, and productivity of the public lands for the use and enjoyment of present and future generations.

OUR VALUES

To serve with honesty, integrity, accountability, respect, courage, and commitment to make a difference.

OUR PRIORITIES

To improve the health and productivity of the land to support the BLM multiple-use mission.

To cultivate community-based conservation, citizen-centered stewardship, and partnership through consultation, cooperation, and communication.

To respect, value, and support our employees, giving them resources and opportunities to succeed.

To pursue excellence in business practices, improve accountability to our stakeholders, and deliver better service to our customers.

DIRECTOR'S LETTER

"To sustain the health, diversity and productivity of the public lands. For the use and enjoyment of present and future generations."

The mission of the Bureau of Land Management (BLM) is grounded in a principle that dates back to the very birth of the conservation movement and to the inspiration of its founding father, President Theodore Roosevelt. "Conservation," Roosevelt said, "means development as much as it does protection. I recognize the right and duty of this generation to develop and use the natural resources of our land; but I do not recognize the right to waste them, or to rob, by wasteful use, the generations that come after us."

Roosevelt's wisdom of a century ago is surely as relevant for us today, as we strive to provide good stewardship of the natural resources of our land, for the benefit of present and future generations.

The dramatic transformation of the American West since Roosevelt's time has brought urban centers, with tens of millions of citizens, in closer contact with their public lands. For many western communities, the vast and magnificent open spaces managed by our agency have become "America's great backyard"—with boundless opportunities for recreation and adventure.

At the same time, the public lands have grown increasingly important to the nation for the energy and mineral wealth that sustain our economy and energy security and our quality of life, and for other economic activities such as timber production and ranching that are important to the nation and to the vitality of local communities.

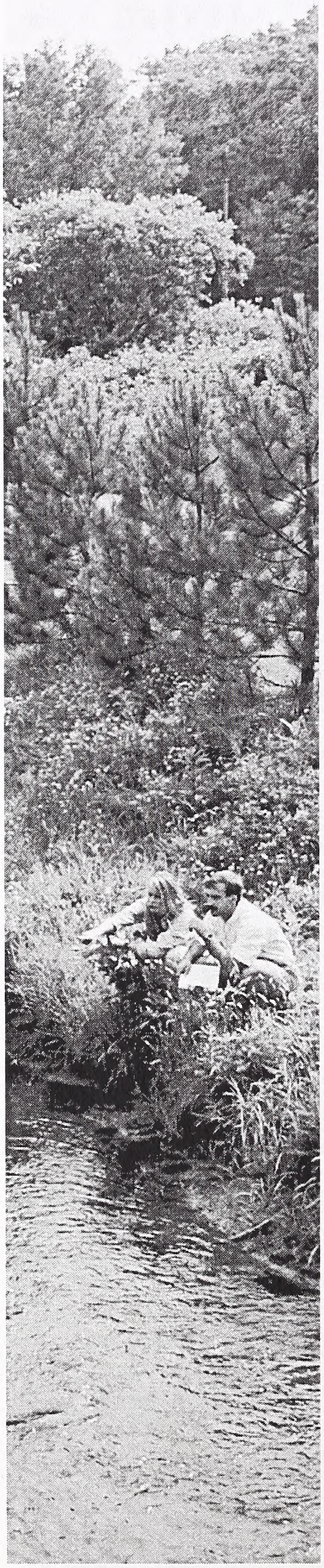
In this context, balanced stewardship of the public lands and resources is more important to the interests of the nation and its citizens than ever before. This mission is also more complex and challenging than at any time in our history.

The following pages detail our progress over the past year in advancing this important mission.

Recognizing the growing public interest in public land recreation, we are working to ensure quality recreational experiences for the tens of millions of citizens who visit the public lands each year. Through a broad national partnership, we are developing strategies such as comprehensive travel management that will help us meet future demands for recreation, while protecting the cultural, natural, and scenic resources of the land. In 2006 we completed another milestone in this effort that will improve management of some of our most popular recreation venues: a 10-year plan for management of National Scenic and Historic Trails.

We have successfully completed a four-year effort to institute fundamental changes in the management of public rangelands. These changes will give us greater flexibility to work in partnership with the ranching community in conservation measures to improve forage, improve the health of watersheds and habitat for fish and wildlife, and ultimately help preserve the great open spaces of the West.

Kathleen Clarke
Director,
Bureau of Land Management



We have honored the 100th anniversary of the Antiquities Act with a renewed dedication to the preservation of the priceless heritage and cultural treasures that are part of America's public land legacy.

We have continued to implement the National Fire Plan to improve the management of wildfires that can threaten environmental resources and communities, particularly along the growing wildland urban interface. Through the Healthy Forest Restoration Act, we are expanding partnership efforts at the local level to promote healthy forests and healthy forest communities.

We have assumed a leadership role in implementing the bipartisan National Energy Policy adopted by Congress and signed by the President last year. The BLM's efforts will make a significant contribution to the central goals of that legislation—promoting responsible development of domestic energy from both traditional and alternative sources and improving protection of the environment.

Our guiding principle in all of these endeavors is balanced management that recognizes, as Teddy Roosevelt said, the dual obligations of our stewardship: to both use the land and its resources and to conserve these resources for the benefit of future generations.

We accomplish this through the principle of Cooperative Conservation—an approach that harnesses the pride and volunteer spirit of individual citizens and communities, the leadership and vision of private organizations, the entrepreneurial creativity and civic dedication of business, and the common purpose of agencies of government at the federal, tribal, state, and local level.

To all our partners in Cooperative Conservation who have contributed to the progress of the past year, and who will help us advance our mission into the future, we extend our deepest appreciation.

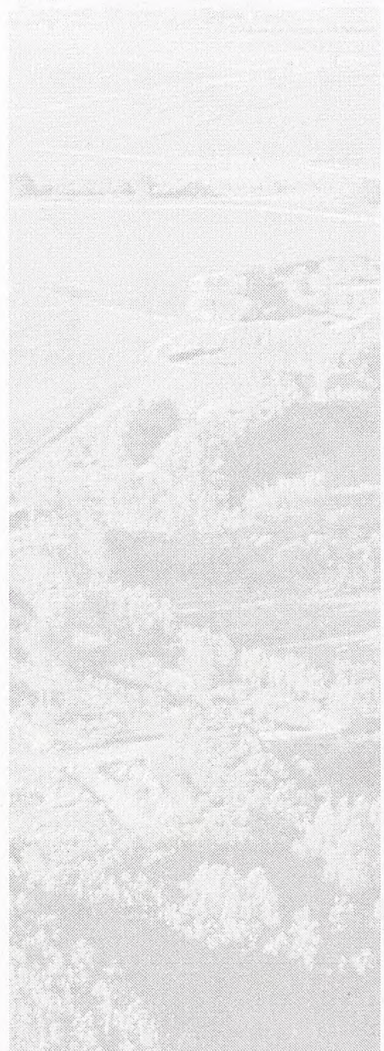
Kathleen Clarke

This FY 2006 Performance and Accountability Report summarizes our efforts in the Bureau of Land Management (BLM) to successfully carry out our mission to "sustain the health, diversity, and productivity of the public lands . . . ." Through this report, we share with you our efforts to improve our accountability and performance consistent with the Department of the Interior's Performance Plan, provide a discussion of our programs and accomplishments, and present our audited financial statements.

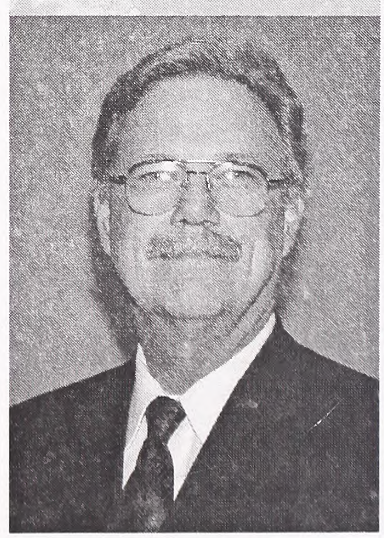
The BLM is keenly aware of the important role that sound business and financial management practices play in executing its natural resource mission. We are proud of our past record, and we continue to strive for excellence. The following table shows highlights of some of our 2006 achievements:

❑ Financial statement audit opinion	The BLM has received unqualified audit opinions on its financial statements for 12 consecutive years, thus demonstrating our accountability for the public resources entrusted to us.
❑ Reporting deadlines	Financial statement reporting deadlines are consistently met.
❑ Financial systems compliance	Financial systems comply with core financial systems requirements.
❑ Anti-Deficiency Act violations	The agency has no anti-deficiency violations.
❑ Material internal control weaknesses	Auditors have reported no material internal control weaknesses. The BLM successfully implemented Appendix A of Office of Management and Budget (OMB) Circular A-123 in 2006 in accordance with Departmental guidelines and provided an unqualified assurance statement to the Department relating to financial reporting.
❑ Non-compliance with law/ regulation	All noncompliance (FFMIA) issues for 2005 and prior have been cleared.
❑ Material weaknesses/non-conformance under Sections 2 and 4 of FMFIA	Auditors have found no FMFIA Sections 2 or 4 material weaknesses or nonconformances that impact internal controls over financial reporting or financial systems, with the exception of Required Supplementary Stewardship Information for "Condition of Museum Collections."
❑ Accurate/timely financial information	The BLM implemented its Management Information System (MIS) in 1999. The MIS is a data warehouse containing multiple interactive modules, including both summary and transactional level financial information; billing and collections; labor cost; cost management (activity based costing/ management); workload measures (outputs); performance measures (outcomes); budget planning / formulation; customer survey results; property, space, and vehicle data; and other information. The data contained in the MIS is updated nightly and is available to all BLM employees on the Bureau's Intranet. The financial and detailed labor cost data spans ten years—six years for cost management. Integral components of the MIS are financial data from our Cost Management System that enables us to track actual costs by work activity and a Performance Management System that facilitates the collection and reporting of performance information. Together, these provide accurate and timely information for assessing performance and for reallocating resources to achieve Bureau priorities and strategic performance goals. These systems provide a disciplined approach to resource management for improving performance, service quality, and customer satisfaction. Through it, we define what is important, establish the level of work and outputs to be accomplished, and determine the budget resources necessary to accomplish the specific activities (outputs) that when aggregated, measure performance in terms of strategic outcomes/results.

MESSAGE FROM THE CHIEF FINANCIAL OFFICER



Michael A. Fergusen
Chief Financial Officer



❑ Plan to expand scope of routine data used to inform decisions	The BLM has presented to OMB its plan to continuously expand the scope of routine data that is used to assist BLM decision-makers. The BLM continues to implement its plan and has completed three of the four initiatives presented in the plan. The BLM also continues to seek out other ways to improve its financial information.

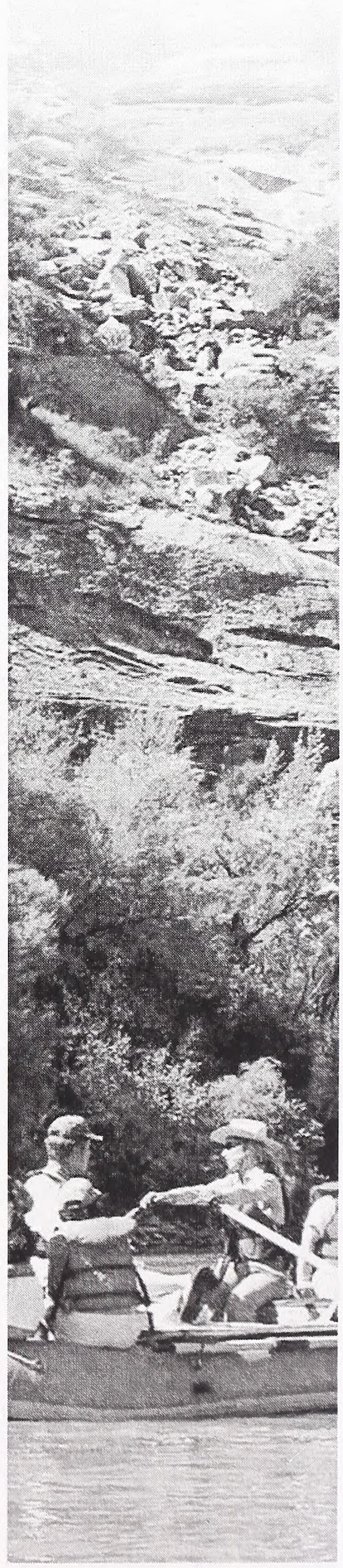
The BLM continues to strive for excellence in other management areas as well. In fiscal year 2006, the BLM met or exceeded most of the nearly 100 performance measures for which it reports performance data. The Bureau also made considerable progress in implementing all aspects of the President's Management Agenda (PMA). In fiscal year 2006, we implemented our asset management plan and continued to expand E-Government initiatives. To improve service and accessibility to our customers, we now make available to the public our most-used forms on the Internet through an E-Forms initiative, as well as allowing the public to review and comment on environmental impact statements and other land use planning documents via the Internet.

In addition, we have earned a "green" score card rating (all commitments met) in human resource management and made giant strides in competitive sourcing and budget and performance integration. We are now seeing meaningful results emanating from the use of the management "toolkit" that we began to implement at the turn of the decade.

Although we are proud of the progress we have made so far, we recognize that more is still needed to reach the pinnacle of management excellence and then to remain in that position. We hope you enjoy reading about our programs and accomplishments and encourage you to join with us in our efforts to "enhance the quality of life for all citizens through the balanced stewardship of America's public lands and resources."

Michael A. Ferguson

COOPERATIVE CONSERVATION



The Bureau of Land Management (BLM) works with numerous partners—states, counties, local communities, other agencies, organizations, businesses, and individuals—to meet its stewardship responsibilities for our Nation's vast public land holdings. This partnership approach promotes citizen involvement and stewardship, known as Cooperative Conservation.

Aldo Leopold, noted 20th century conservationist, envisioned a Nation of citizen stewards. Simply put, each of us needs to care for local landscapes and environments. Our individual actions in our own backyards, at our places of work, on our farms and ranches, and in our communities can make a crucial difference. Cooperative Conservation seeks to recognize and take full advantage of the knowledge, wisdom, talents, and enthusiasm that local people, communities, and governments bring to the table.

Cooperative Conservation is far more than just a clever catch phrase or slogan. The Department of the Interior has already made over $500 million available in conservation grants for a variety of Cooperative Conservation programs. Two of these, the Private Stewardship Grant and Landowner Incentive programs, provide assistance to private landowners in their voluntary efforts to protect threatened, imperiled, and endangered species.

Almost $13 million was given to the BLM in Cooperative Conservation challenge cost-share grants to fund 573 projects. These range from eradicating invasive species to restoring wildlife habitat, providing stable water supplies for elk, and providing new and improved recreation and educational opportunities. The grants cover 40 states, involve 749 partners, and leverage $26 million in partnered dollars.

Everyone benefits from Cooperative Conservation—especially our environment. The voices of local people and communities are heard and their actions count. The BLM's efforts and expenditures are multiplied though partnerships and cost sharing. Everyone benefits as we work together to sustain the health, diversity, and productivity of the public lands for the use and enjoyment of both present and future generations.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The BLM'S Mission and Organizational Structure

The BLM's Mission and History

The Bureau of Land Management's (BLM) vision is to enhance the quality of life for all citizens through the balanced stewardship of the resources on America's public lands. Its mission is to sustain the health, diversity, and productivity of the Nation's public lands for the use and enjoyment of present and future generations.

The BLM manages over 258 million acres of surface estate on public land, about one-eighth of the land in the United States. The BLM also administers hundreds of millions of acres of onshore Federal mineral estate on or underlying both Federal surface ownerships and some privately owned surface. In addition, the BLM has trust responsibilities on 56 million acres of Indian trust lands for approval and supervision of mineral operations and cadastral (land) survey.

The BLM administers some of the most ecologically and culturally diverse, and scientifically important, lands belonging to the Federal government. Among its varied responsibilities for managing and protecting our Nation's priceless natural and cultural legacy is stewardship for:

- Commercial activities
- Conventional energy sources (oil, natural gas, coal, etc.)
- Renewable energy (wind, solar, geothermal, biomass, etc.)
- Minerals (gold, zinc, uranium, copper, mineral materials, gypsum, etc.)
- Public land survey system plats and field notes
- Rights-of-way
- Transportation systems (roads, trails and bridges)
- Fish and wildlife habitat
- Range management and grazing
- Wild free-roaming horses and burros

- Rare, vulnerable and representative habitats, plant communities, and ecosystems
- Threatened, endangered, and special status species
- Invasive and noxious weeds
- Wildland fire activity and the wildland-urban interface
- Paleontological resources and archaeological and historical sites, including museum collections derived from those areas
- Interpretive activities to meet scientific and educational needs
- Wild and scenic rivers
- Wilderness and wilderness study areas
- National monuments and national conservation areas
- Recreation opportunities

The BLM was created in 1946, when the Grazing Service was merged with the General Land Office to form the Bureau of Land Management within the Department of the Interior. When the BLM was initially created, there were hundreds of unrelated and often conflicting laws for managing the public lands. The Bureau had no unified legislative mandate until Congress enacted the Federal Land Policy and Management Act of 1976 (FLPMA).

In FLPMA, Congress recognized the value of the remaining public lands and declared that these lands would remain in public ownership.

BLM's Headquarters and Field Organization

ALASKA STATE OFFICE
State Director Tom Lonnie
222 West 7th Avenue, #13
Anchorage, AK 99513-7599
(907) 271-5080
Public Room: (907) 271-5960

ARIZONA STATE OFFICE
State Director Elaine Zielinski
One North Central Ave.
Phoenix, AZ 85004
(602) 417-9500
Public Room: (602) 417-9300

CALIFORNIA STATE OFFICE
State Director Mike Pool
2800 Cottage Way,
Room W-1834
Sacramento, CA 95825
(916) 978-4600
Public Room: (916) 978-4400

COLORADO STATE OFFICE
State Director Sally Wisely
2850 Youngfield Street
Lakewood, CO 80215-7093
(303) 239-3700
Public Room: (303) 239-3600

EASTERN STATES OFFICE
State Director Mike Nedd
7450 Boston Blvd.
Springfield, VA 22153
(703) 440-1711
Public Room: (703) 440-1600

IDAHO STATE OFFICE
State Director Tom Dyer
1387 S. Vinnell Way
Boise, Idaho 83709-1657
(208) 373-4001
Public Room: (208) 373-3889

MONTANA STATE OFFICE
State Director Gene Terland
5001 Southgate Drive
Billings, MT 59101
(406) 896-5012
Public Room: (406) 896-5004

NEVADA STATE OFFICE
State Director Ron Wenker
1340 Financial Way
Reno, NV 89502
(775) 861-6590
Public Room: (775) 861-6500

NEW MEXICO STATE OFFICE
State Director Linda Rundell
1474 Rodeo Rd.
P.O. Box 27115
Santa Fe, NM 87502-0115
(505) 438-7501
Public Room: (505) 438-7471

OREGON STATE OFFICE
State Director Ed Shepard
P.O. Box 2965
Portland, OR 97208-2965
(503) 808-6026
Public Room: (503) 808-6001

UTAH STATE OFFICE
State Director Selma Sierra
440 West 200 South, Ste 500
P.O. Box 45155
Salt Lake City, UT 84145-0155
(801) 539-4010
Public Room: (801) 539-4001

WYOMING STATE OFFICE
State Director Bob Bennett
5353 Yellowstone Road
P.O. Box 1828
Cheyenne, WY 82003
(307) 775-6001
Public Room: (307) 775-6256

NATIONAL BUSINESS CENTER (NBC)
Director Thomas Boyd, BC-600
Denver Federal Center, Building 50
P.O. Box 25047
Denver, CO 80225-0047
(303) 236-8857

NATIONAL SCIENCE and TECHNOLOGY CENTER (NSTC)
Director Don Hinrichsen (acting), ST-100
P.O. Box 25047
Denver Federal Center, Building 50
Denver, CO 80225-0047
(303) 236-6454

NATIONAL HUMAN RESOURCES MANAGEMENT CENTER (NHRMC)
Director Annette Martinez, HR-200
P.O. Box 25047
Denver Federal Center, Building 50
Denver, CO 80225-0047
(303) 236-6503

NATIONAL INFORMATION RESOURCES MANAGEMENT CENTER (NIRMC)
Director Ken Wilbert
NI-100 (Bldg. 40)
P.O. Box 25047
Denver Federal Center, Building 50
Denver, CO 80225-0047
(303) 236-6965

NATIONAL INTERAGENCY FIRE CENTER (NIFC)
Director Tim Murphy (Acting)
3833 South Development Ave.
Boise, ID 83705-5354
(208) 387-5446

NATIONAL TRAINING CENTER (NTC)
Director Don Charpio
9828 North 31st Avenue
Phoenix, AZ 85051
(602) 906-5500

FLPMA also gave us the term "multiple use management." This is defined as "the management of the public lands and their various resource values so they are utilized in the combination that will best meet the present and future needs of the American people."

The needs of a growing and changing West are increasing. The American West, home to most of our BLM-managed public lands, is now the fastest growing region of the Nation. Eight of the 12 fastest-growing states are in the West, and the rate of growth in these western states averaged 30 percent from 1990 to 2000—more than twice the national average of 13 percent during the same period. Millions of people in rapidly growing western communities are now within an hour's drive of formerly remote public lands.

We rely on help from many diverse partners to meet the ever-increasing demands for goods and services from BLM-administered public lands. Various constituent groups, other agencies and levels of government, and citizens from all walks of life have all eagerly joined the BLM in collaborative decision-making and on-the-ground projects. These cooperative efforts continue to greatly benefit the public lands and everyone who relies on them. We are grateful for their many contributions and valuable help.

A researcher from the Northern Arizona University/Ecological Restoration Institute collects data for an ongoing pinyon-juniper research project within the Grand Canyon-Parashant National Monument.

Performance Goals and Results

Implementing the Government Performance and Results Act in the BLM

The Government Performance and Results Act requires Federal agencies to set priorities and goals, determine strategies for reaching those goals, measure their performance, and report on progress each year. In 1997, the BLM developed and published its first strategic plan. Regular reviews and updates to the strategic plan have occurred over time.

In 2006, the BLM revised its Fiscal Year (FY) 2004 – 2008 strategic plan, referred to as an *operating plan*, for the period FY 2007 – 2012. The BLM's operating plan is tiered from the Department of the Interior's strategic plan. Currently, the Department's strategic plan is undergoing public review (***http://www.doi.gov/ppp***). The BLM is revising its operating plan to incorporate new Departmental and Bureau measures.

The BLM's annual performance reporting requirements under the Government Performance and Results Act are now handled as part of the Department of the Interior's Annual Report on Performance and Accountability. This report shows planned and actual performance levels for the current year, as well as actual performance in recent years to show trends. A discussion section gives background information and explains how and why goals were met, not met, or exceeded.

In addition to the annual performance reporting noted above, we publish this Annual Report at the end of each fiscal year to assist the Department of the Interior in complying with the Chief Financial Officers Act of 1990 and the Governmental Management Reform Act of 1994. Our BLM Annual Report is designed to:

- Provide a management discussion and analysis of performance goals and results, systems and controls in place to ensure legal compliance, and future effects of current risks and uncertainties.

- Present our financial statements and notes, along with an overview of the information presented.

- Present a Required Supplementary Information section, which consists of three components:
  - Stewardship Land and Heritage Assets (describes the fulfillment of our stewardship responsibilities for public lands/resources, natural heritage assets, cultural heritage properties, and museum collections).

- Condition of Stewardship Land and Heritage Assets (describes the condition of stewardship lands, natural heritage assets, cultural properties, and museum collections).
- Deferred Maintenance (discusses deferred maintenance issues for the BLM's buildings, roads, bridges, recreation facilities, and other infrastructure assets).

- Provide a Required Supplementary Stewardship Information section that addresses the BLM's investment in research and development.

The "Overview of Performance Goals and Results" narrative presented later in this section serves as a general overview and discussion of the BLM's performance goals and results for FY 2006.

Evaluations to assess performance are an important aspect of complying with the Government Performance and Results Act. We are responding to this need by implementing a new approach to conducting evaluations for our offices and programs. By implementing the revised Office of Management and Budget (OMB) Circular A-123 requirements for assessing management controls of all our programs, we are building on our efforts to assess risk, prevent problems, and ensure that our programs are carried out efficiently and effectively.

Overview of Performance Goals and Results

The Bureau has aligned its goals and outcome measures under four mission areas:

- Resource Protection
- Resource Use
- Recreation
- Serving Communities

The following paragraphs present selected performance information for the BLM's long-term goals and highlight some important milestones used for measuring our performance.

Resource Protection

The health of resources on BLM-administered public lands continues to be of paramount importance. Healthy resources are more resilient to environmental fluctuation and disturbance, and can better sustain increased use by the public. Based on data in the BLM's Consolidated Statements of Net Cost of Operations, the Bureau expends approximately 16.5 percent of its total funding on its resource protection mission.

The BLM's resource protection mission is divided into three areas:

- Improving, restoring, and maintaining the health of watersheds and landscapes.
- Sustaining biological communities.
- Protecting cultural and natural heritage resources.

The public lands contain exceptional geologic formations; rare and vulnerable plant and animal communities; wild free-roaming horse and burro herds; wilderness areas and wild and scenic rivers; and innumerable paleontological, archaeological, and historic sites. These resources are important economically, particularly in light of Executive Order 13287 on Preserve America, which encourages Federal agencies to use their cultural resources to promote economic development, in particular heritage tourism. These resources are also scientifically, ecologically, educationally, culturally, and recreationally important, representing a significant part of our Nation's natural and cultural heritage.

The BLM carries out myriad activities on a day-to-day basis to ensure the protection and health of public land resources. These activities include the following examples:

- Developing ground-water monitoring plans to monitor shallow ground-water resources in areas of natural gas development.
- Developing water quality/riparian improvement projects, restoration actions, or monitoring studies.
- Drilling water wells for livestock to protect nearby riparian vegetation areas.
- Increasing the number of forest health restoration treatments and updating forest inventories to better track forest condition and identify insect and disease infestations.
- Reducing hazardous fuels to protect communities and the environment.
- Controlling soil erosion through watershed maintenance work; for example, riverbank stabilization projects, tamarisk removal coupled with seed plantings of perennial grasses and forbs, and other activities.
- Conducting multistate regional analyses to support species conservation, wildlife program planning, and land use planning activities.
- Cooperating with partners to protect, restore, and enhance habitat that sustains healthy fish populations.
- Stabilizing abandoned mine tailings to prevent surface and ground water contamination as well as the airborne spread of toxic dust.
- Conducting soil surveys using advanced technology and developing predictive models using Landsat 7 satellite images, 10-meter digital elevation models, etc.
- Completing gathers in Wild Horse and Burro Herd Management Areas to maintain herds at appropriate management levels and ensure healthy rangelands.
- Encouraging public participation in protecting archaeological and historical resources through an umbrella program promoting public education and awareness called "Adventures in the Past."
- Managing numerous properties for their paleontological values and promoting the use of fossils in research, education, and recreation.

Day-to-day management activities continue for wilderness areas, wilderness study areas, national wild and scenic rivers, herd management areas (for wild free-roaming horses and burros), national natural landmarks, and numerous other special management areas. The BLM also manages national monuments and congressionally designated national conservation areas in the western states. Please refer to the Required Supplementary Information section (presented after the financial statements in this Annual Report) for more specific information.

National monuments and national conservation areas, along with wilderness and wilderness study areas, national wild and scenic rivers, national historic/scenic trails, the Steens Mountain Cooperative Management and Protection Area, the White Mountains National Recreation Area, the Yaquina Head Outstanding Natural Area, and the Headwaters Forest Reserve in California, make up the BLM's National Landscape Conservation System.

The BLM will continue to promote citizen-based stewardship of our public lands. Resource managers will look for opportunities to work with ranchers, conservationists, and other partners to achieve healthier western rangelands while providing for sustainable resource uses. Initiatives the BLM has undertaken also harness the power of partnerships in restoring and protecting our resources. Using the Challenge Cost Share and Application of Science Initiative, the BLM will be able to leverage funding to benefit the public lands.

Table 1 portrays selected goals/targets and actual accomplishments for the resource protection mission area.

Resource Use

America's public lands provide myriad resources that provide opportunities for commercial activities. Commercially valuable natural resources include energy and mineral commodities, forest products, grazing forage, and special uses such as rights-of-way for pipelines and transmission lines. Recognizing the Nation's need for a domestic source of minerals, food, timber and fiber from the public lands, the BLM expends approximately 18.2 percent of its funding to carry out its resource use mission.

The BLM's resource use programs fall under four primary headings that seek to balance the use of renewable resources with nonrenewable resources:

- Managing the use of energy resources; for example, oil and gas, coal, and oil shale, as well as renewable resources (wind, solar, and biomass).
- Managing the use of non-energy mineral resources; for example, gold, potassium, sodium, potash, sand, gravel, and other construction materials.
- Managing the use of forage resources; for example, domestic livestock grazing.
- Managing the use of forest and woodland products; for example, timber, Christmas trees, posts, and poles.

The BLM also manages a significant helium operations program.

Managing the Use of Energy Resources

In recent years, the on-shore Federal mineral lands have produced about 35 to 40 percent of the Nation's coal, 18 percent of its natural gas, and 5 percent of its oil. Coal and natural gas production has been increasing, while oil production from on-shore Federal lands has experienced a slight decline.

Coal mined from the public lands is primarily used for the generation of electricity and is the source for 16 to 18 percent of the electricity used in the United States. This is equal to about one household in five obtaining their electricity from coal mined on public lands.

The BLM continues to implement all aspects of the Energy Policy Act of 2005 related to oil shale, including provisions for research, demonstration and development leasing, preparation of a programmatic environmental impact statement, and development of regulations for commercial leasing.

The BLM has approximately 46,000 oil and gas leases, 400 geothermal leases, 300 coal leases, 440 other solid leasable mineral leases, and about 220,000 mining claims in effect. Applications for permit to drill (APDs) have increased in recent years; in FY 2006, a total of 7,124 APDs had been processed as of mid-August, compared to 4,266 for all of FY 2001 and 7,736 in FY 2005.

Renewable energy resources on the public lands include wind, geothermal, biomass,

Table 1. Resource Protection: Selected Goals and Accomplishments

FY 2006 Annual Goal	Target	Actual	Discussion/Analysis
Percent of wetland areas achieving desired conditions	98%	98%	There are 12.6 million acres of wetlands meeting desired condition. In 2006, a total of 43,484 additional acres were restored to desired condition.
Percent of riparian areas (stream miles) achieving desired conditions	90%	90%	There are 128,829 miles of riparian areas achieving desired conditions.
Percent of upland areas achieving desired conditions	58%	58%	Integrated program teams perform Land Health Assessments to evaluate the desired conditions of uplands.
Percent of surface waters (stream miles) that meet Environmental Protection Agency (EPA) approved (State) water quality standards	87%	87%	Surface waters include acres of lakes, reservoirs, estuaries, and seas managed by the BLM.
Cumulative percent of acres degraded by wildland fire with post-fire rehabilitation treatments underway, completed, and monitored	20%	35%	All acres degraded by fire require immediate action; due to the severe fire season in 2006, more acres were treated.
Total number of acres treated that are in condition classes 2 or 3 in fire regimes 1–3, outside of the wildland-urban interface	238,289 acres	126,491 acres	Due to the severity of the fire season, a significant amount of prescribed burning was cancelled, resulting in fewer acres treated in this area.
Percent change in baseline in the number of acres infested with invasive plant species	0.9%	1.0%	An annual inventory is done to determine the number of acres infested with invasive plant species.
Number of acres restored or enhanced to achieve habitat conditions to support species conservation	10,000	10,000	More than one species may benefit from each acre restored.
Number of stream/shoreline miles restored or enhanced to achieve habitat conditions to support species conservation	1,300	1,308	More than one species may benefit from each stream/shoreline mile restored
Cumulative percent of cultural properties on the Department of the Interior (DOI) inventory in good condition	80%	82% *	There are 41,860 BLM cultural properties in good condition.
Percent of museum collections in BLM facilities in good condition	100%	100%	The BLM maintains three collections. Collections include assemblages of objects, works of art, and/or historic documents.
Percent of paleontology localities in good condition	90%	98%	There are 14,980 paleontological localities maintained in good condition.
Percent of acres of designated wilderness achieving wilderness character objectives as specified by statute	85%	84%	The total acreage for Wilderness Areas changed in 2005 and 2006 when Congress designated additional Wilderness Areas.

* Based on the subset of cultural properties that are monitored.

solar, and hydropower resources. The BLM administers wind energy right-of-way authorizations for wind energy production on public lands in California and Wyoming. Additional right-of-way authorizations have been issued for wind energy site testing and monitoring activities in Idaho, Nevada, Oregon, California, Washington, Wyoming, and Montana.

The BLM currently manages geothermal leases that provide geothermal energy to power plants. In addition, the BLM manages a small number of direct-use leases, which provide an alternative source of energy for greenhouses, spas, warm-water fish farms, and other commercial uses.

Solar energy is the most cost-effective approach to supplying power to most of the BLM's remote facilities, which operate only in the summers when longer days provide plenty of sunshine. Photovoltaics (solar panels) provide power for water pumping, outdoor lighting, communication sites, weather and water monitoring, remote field stations, visitor centers, and other uses. Photovoltaics have typically replaced fossil-fueled engine generators at these sites.

Managing the Use of Non-Energy Mineral Resources

The number of leases in the "other solid leasable minerals" category (combined hydrocarbons, phosphate, sodium, potassium, gilsonite, asphalt, some hardrock, and some sand and gravel) has declined slightly in recent years.

The public lands produce a large portion of the Nation's fertilizer minerals and soda ash, as well as mineral materials and other construction aggregates used for buildings, roads, pipelines, and powerline construction. Mineral materials are essential for the exploration and development of energy resources and for the growth of rapidly expanding urban areas throughout the West. About 20 million cubic yards of sand and gravel and other mineral materials were extracted during FY 2006, with a combined value of $18 million. Almost 4 million cubic yards of this production, with a value of about $3 million, were provided free of charge to government agencies to support their work in developing the Nation's infrastructure at low cost.

The Bureau administers approximately 220,000 mining claims located and held under the 1872 General Mining Law and FLPMA. In 2005, the owners of these mining claims paid a total of $32.6 million to the Treasury to hold and maintain these mining claims. In surface management, the BLM received 71 Plans of Operations for both predevelopment and actual production of hard rock minerals and 308 Notices for exploration activities. Most were filed for gold, copper, and uranium.

The BLM's surface management program regulates mining operations on public lands that contribute to the economies of the western states in terms of jobs, commerce, taxes, improvements to infrastructure, and lowering of the U.S. trade deficit. Domestic gold mine production in 2005 was estimated to be $3.4 billion, about 3 percent less than the level of 2004 but high enough to make the U.S. the third-largest gold-producing nation in the world. Domestic mine output continued to be dominated by Nevada, where production accounted for more than 83 percent of the U.S. total.

Managing the Use of Vegetation Resources and Products

Livestock grazing is an important use of the public lands, central to the economic livelihood and culture of many rural communities. A significant portion of the cattle and sheep produced in the West graze on public rangeland. Among all commodities, livestock grazing has the highest indirect effect as dollars recirculate through local communities, resulting in an economic multiplier effect of 4.3. In FY 2006, permittees and lessees were billed for about

Implementing the Energy Policy Act of 2005

The Energy Policy Act of 2005 (P.L. 109-58), signed by the President on August 8, 2005, is the most significant Federal legislation addressing energy issues in over a decade.

The BLM, as manager of more Federal land than any other Federal agency, plays a key role in implementing the Energy Policy Act. The BLM established an Implementation Team in the Washington Office in 2005 to organize implementation efforts. Many aspects of the Act require the BLM to prepare regulations and reports to Congress. The BLM is also required to implement a variety of improved business practices and work even more closely than it already has with other agencies that also regulate energy development activities on Federal land. The Implementation Team provides leadership and support to the agency as these various tasks required by the Act are completed.

The BLM is expending a great deal of time responding to Section 365 of the Act, which identifies seven BLM Field Offices as part of a Pilot Office project to improve oil and gas permitting and administration. An Interagency Memorandum of Understanding (MOU) for the Pilot Office project was signed on October 24, 2005, by the Secretary of the Interior, the Secretary of Agriculture, the Administrator of the Environmental Protection Agency, and the Army Corps of Engineers to implement this section of the Act. The BLM has hired additional staff and provided funding for employees from other Federal and state agencies in these offices so that permitting can be streamlined. The Act provides additional funding to the BLM to facilitate implementing the Pilot Office project.

The BLM has established a webpage on its National website (***www.blm.gov***) devoted to public information and BLM implementation actions related to the Energy Policy Act.

7.0 million animal unit months (AUMs) of forage out of the 12.6 million AUMs that are permitted/leased; the BLM collected approximately $14.8 million in grazing fees. These figures have been running significantly lower than in past years because of a severe drought throughout the western United States.

The BLM's forests and woodlands are managed to sustain, maintain, and restore ecosystem integrity, diversity, and productivity, thus providing long-term ecological and economic benefits. Forest products are an important economic component in western Oregon, which contains some of the most productive forest lands in Federal ownership. Many communities in California, eastern Oregon, Idaho, Montana, Wyoming, and Colorado also rely on the steady flow of public sawtimber.

Woodland products are another important component of the BLM's forest management program. Woodland management is a primary component in Arizona, Nevada, Utah, New Mexico, and Colorado. The BLM continues to respond to the local demand for firewood, posts, poles, and other wood or vegetative products.

The BLM developed a biomass utilization strategy in 2004 and updated this strategy in 2005. The strategy addresses forest health and restoration concerns from the President's Healthy Forests Initiative, reduces hazardous fuels identified in the National Fire Plan, and diversifies the Nation's energy portfolio consistent with the Energy Policy Act of 2005.

Congress has enacted legislation expanding stewardship contracting authority with communities, the private sector, and others, allowing the BLM to enter into long-term contracts (up to 10 years) to meet land management objectives (for example, to reduce wildland fire risk and improve forest and rangeland health). Stewardship contracts focus on producing desirable results on the ground that improve forest and rangeland health and provide benefits to communities. Among other things, the new stewardship contracting authority allows forest products to be exchanged for ecological restoration services, which may include thinning and removing brush.

Helium Operations Program

The 1996 Helium Privatization Act directs the Secretary of the Interior to commence offering for sale 30.5 billion standard cubic feet (bscf) of the Federal Helium Reserve no later than January 1, 2005, and to complete offering it for sale no later than January 1, 2015. The Act requires that the amount to be sold annually be determined by dividing the amount in storage as of the first sale by the number of years sales will be conducted and then adjusting the amount by expected Federal usage.

Using the Act's formula, about 2 bscf of helium is offered for sale annually. Ninety percent of that amount is allocated to the refiners along the crude helium pipeline, while 10 percent is apportioned to other qualified buyers. If the refiners do not request the full amount of helium allocated to them, the excess can be sold to other qualified buyers; conversely, if other qualified buyers do not request the full amount allocated to them, the refiners can purchase the excess. Purchasers obtain a bid right for $1,000 and specify to the BLM the amount of helium they would like to buy for the year. The total purchase is distributed and paid for in quarterly increments. The first open-market helium sale was conducted during March 2003.

The legislation also stipulates that all pure helium bought by government agencies must derive from government-owned crude helium. Since the BLM's refining facilities have been dismantled in response to the Helium Privatization Act, suppliers of helium to Federal agencies are required to purchase an equivalent amount of helium from Federal storage. The BLM calls this type of sale an in-kind sale.

Studies have shown that because of the complexity of the helium storage field, the

30-plus bscf of helium in storage cannot be completely recovered at helium concentration levels required by contract with private industry companies. By 1999, the helium concentrations from the injection wells were already showing deterioration. A private industry partnership in cooperation with the BLM decided that a helium enrichment unit (HEU) was needed at the Cliffside location to process gas from the field and enrich it to pipeline quality crude helium. The HEU was completed in 2003. As part of the enrichment process, hydrocarbon gases are extracted and sold.

The BLM has entered into agreements with El Paso Natural Gas to transport the gas and pays a small fee to the Minerals Management Service (MMS) to market the gas. Currently, the gas is sold to Cinergy Corporation. Additionally, the enrichment process produces some liquid hydrocarbons that are sold under a separate contract to SemCrude.

The BLM also adjudicates helium ownership rights, collects fees and royalties from Federal lands where the helium is produced and sold, and audits those revenues for compliance. Federal oil and gas leases contain a clause that excludes helium from the lease. Therefore the BLM enters into an agreement, separate from the oil and gas lease, for the sale of helium from Federal lands and collects those revenues under 50 USC 167. The BLM is also in charge of tracking where helium reserves are located throughout the nation and to a lesser extent the world, quantifying those reserves, and keeping up with the status of the reserves (depleting or nondepleting).

Other Commercial Uses

Rights-of-way actions are processed and grants or leases are issued to companies so they can use public lands for roads, pipelines, transmission lines, and communication sites. Many of these provide for the basic infrastructure of society, meeting the needs of local cities and towns.

Table 2 presents goals/targets and actual accomplishments for the resource use mission area.

Table 2. Resource Use: Selected Goals and Accomplishments

FY 2006 Annual Goal	Target	Actual	Discussion/Analysis
Number of onshore acres available for energy mineral exploration/development	590 million acres	590 million acres	There are 224 surface and 366 subsurface acres available. The BLM has reserved mineral rights on some lands either administered by other Federal agencies or held in private ownership. The amount of land in this category is not known.
Number of pending permits/lease applications in backlog status for fluid energy minerals	1,226	2,237	The BLM continues to process more permits every year. However, permits in backlog continue to increase due to an increase in applications.
Number of pending permits/lease applications in backlog status for solid energy minerals	33	33	The BLM has continued to experience a high demand for Federal coal leases.
Number of pending permits/lease applications in backlog status for rights-of-way	1,127	1,350	The BLM continues to process more rights-of-way every year. However, rights-of-way in backlog continue to increase due to an increase in rights-of-way actions related to energy development.

Table 2. Resource Use: Selected Goals and Accomplishments *(concluded)*			
FY 2006 Annual Goal	Target	Actual	Discussion/Analysis
Number of acres available for non-energy mineral resource exploration and development	570.7 million acres	570.7 million acres	The 570.7 million acres includes the Federal mineral estate under lands where the surface estate is not administered by a Federal agency.
Number of acres reclaimed to appropriate land condition and water quality standards	8,000	4,151	The actual number of acres reclaimed each year depends on several interrelated variables, including commodity price, deposit grade, worldwide supply and demand for the commodity. In 2006, demand for mineral materials was high; therefore, not as many mined sites were closed and reclaimed as anticipated.
Percent of acres with Department of the Interior (DOI) range improvements resulting in sustainable grazing	7.0%	8.0%	The BLM manages 160 million acres for grazing. Range improvements occurred on 12.6 million acres.
Percent of permitted acres maintained at appropriate land conditions and water and air standards	58%	58%	Appropriate land conditions and water and air standards are establish in an approved mining plan.
Volume of wood products offered for sale in millions of board feet (MMBF)	270	243	The volume of wood products includes public domain and Oregon and California Grant Lands.
Cumulative percent of original helium debt repaid at end of fiscal year	35%	34%	The 34% represents $439 million paid in 2006.
Percent of time the Crude Helium Enrichment Unit (CHEU) was operating during the fiscal year	92%	92%	The Crude Helium Enrichment Unit is scheduled to operate approximately 350 days each year.

The BLM generates over $2 billion annually in Federal revenue from commercial activities (excluding land sales) on the public lands, much of it collected by another Interior bureau, the Minerals Management Service. The market value of production occurring on the public lands runs between $10 billion and $20 billion annually. Typically, 98 to 99 percent of revenue and production resulting from commercial activities are derived from energy and minerals, including helium; livestock grazing, timber sales, right-of-way fees, and other revenue sources make up the balance.

Recreation

Recreation and leisure activities are major contributors to a healthy lifestyle for millions of Americans as well as international visitors. BLM-administered public lands play an important role in providing these outdoor recreational experiences. The Bureau expends about 6.9 percent of its funding to contribute to the Department of the Interior's goals for recreation, including special area management and the management of National Landscape Conservation System areas such as wilderness and National Monuments.

BLM-administered public lands and waters provide visitors with a vast array of recreational opportunities. While most of the visits to BLM-managed public lands involve camping in either developed recreation sites or dispersed-use areas, many visitors come simply to view landscapes and other unique natural or cultural heritage features of public lands. Other important activities include hunting, fishing, wildlife

viewing, hiking and backpacking, motorized and non-motorized boating, off-highway vehicle (OHV) driving, and mountain bicycling. Unlike lands managed by other Department of the Interior bureaus, BLM-administered lands are used for both traditional outdoor recreation activities and the emerging array of new extreme sports and recreation technologies.

The BLM's recreation mission encompasses two primary areas of emphasis:

- Enhancing the quality of recreational opportunities and improving access.
- Providing value in recreation and promoting quality services.

Most recreational activity on public lands occurs in dispersed non-fee areas. While public lands represent a place to have quality recreational experiences at a relatively low cost to visitors, the economic impact is still significant, especially to gateway communities.

Recreation on BLM public lands provides significant benefits to local, regional, and state economies. The total economic impact of travel-related expenditures for recreation on BLM lands is estimated to run into the billions of dollars. These travel-related expenditures for recreation on public lands support tens of thousands of jobs and contribute significantly to the viability of thousands of small businesses, especially outfitting, guiding, and tourism-related companies and community service providers that depend on both access to, and the availability of, the public lands.

The BLM focuses on providing quality recreation opportunities and adventures on the Nation's vast western landscapes. The public has the freedom to pursue unstructured recreation opportunities, but people are asked to respect other visitors and local cultures, and to practice stewardship principles and ethics, while using and enjoying the public lands. The BLM, in turn, focuses on preserving natural and cultural resources, resolving user conflicts, and providing for public health, education, and safety.

Leave No Trace is an outdoor ethics program centered on ways and means to minimize impacts on natural resources, wildlife, and other users. The BLM is a major supporter and sponsor of the program, which is just one of several of the Bureau's public land stewardship partnerships. BLM publications and staff taught the principles of Leave No Trace to numerous public land users during the year. The Leave No Trace program has been embraced by recreation users across the spectrum, from wilderness to OHV enthusiasts. It is the only program of its kind that has been universally adopted, administered, and used in a unified, joint effort by the BLM, U.S. Department of Agriculture Forest Service (USDA-FS), National Park Service (NPS), and U.S. Fish and Wildlife Service (USFWS).

Tread Lightly! is another program supported by the BLM. Through education, restoration and research, this program aims to empower outdoor enthusiasts to recreate responsibly. The BLM is a major supporter and sponsor of the program, along with the USDA-FS, Bureau of Reclamation (BOR), NPS, and Corps of Engineers. Originally geared toward responsible use of motorized and mechanized use on public and private lands, the principles of the program have been expanded to provide an outdoor ethics message for a wide variety of user groups.

The Bureau collects recreation fees under the authority of the Federal Lands Recreation Enhancement Act (REA), which allows public land visitors to be charged a fee to use many of the Bureau's campgrounds, day-use areas, other developed recreation sites, and permitted special recreation uses. All of the money collected is reinvested at the site of collection to improve its physical infrastructure and enhance customer satisfaction, directly benefiting those who pay for and use the site.

The BLM Recreation Program also participates in National Trails Day activities and National Public Lands Day (NPLD) projects, which draw thousands of volunteers to BLM sites across the Nation. Each year, NPLD events promote environmental awareness and ethical outdoor behavior, as well as enhancing BLM recreation sites by providing needed maintenance and improvements. Volunteers typically build trails, transform sites into universally accessible areas, renovate buildings, and make numerous other contributions to recreation opportunities and amenities on the public lands.

The BLM's interpretive program fosters an appreciation for public land resources and an understanding of the relationships between people and the public lands. Interpretation tells the story of how the BLM manages resources and provides opportunities for public use. The Bureau's interpretive program gives the public the information they need to be more environmentally responsible while enjoying their public lands.

The BLM takes advantage of interpretive opportunities along nationally designated Byways, making use of brochures and wayside exhibits. BLM staff, volunteers, and partners (such as interpretive associations) interact with both individual visitors and community groups through such activities as special events, tours, temporary exhibits, and interpretive planning.

One issue for the Bureau is finding opportunities to reach out to widely dispersed recreational visitors. To meet this challenge, the BLM is increasing the number of wayside exhibits on public lands to provide interpretive information.

In 2006, the BLM assessed its recreation workforce for effectiveness as directed by the Office of Management and Budget's Circular A-76. This review found that the BLM has an extremely efficient and most effective recreation and visitor services program. Similarly, other audits of the recreation fee program found high levels of accountability and value.

Table 3 portrays selected goals/targets and actual accomplishments for the recreation mission area.

Table 3. Recreation: Selected Goals and Accomplishments

FY 2006 Annual Goal	Target	Actual	Discussion/Analysis
Percent of recreation users satisfied with the quality of their recreation experience on the public lands	94%	97%	The BLM has been able to increase visitor satisfaction by focusing on increased environmental education and improved facilities.
Number of acres made available for recreation through management actions and partnerships	258 million	258 million	Thousands of volunteers and community partnerships help the BLM manage recreation sites and recreation activities each year.
Number of river and shoreline miles made available for recreation through management actions and partnerships	14,500	14,500	The BLM manages 38 Wild and Scenic Rivers in five states.
Percent of universally accessible facilities	10%	8%	The number of universally accessible facilities continues to increase each year, although the target has not yet been reached.
Percent of recreation areas with community partnerships	24%	24%	The BLM was able to increase the number of community partnership by 3% over 2005.
Number of visitors served by facilitated programs	12 million	13.5 million	The response to BLM-facilitated programs continued to grow in 2006 by over 1.5 million visitors

Serving Communities

The BLM expends approximately 58.4 percent of its funding to serve the Nation's citizens and communities and to ensure that people and property are protected from hazards associated with the BLM's land management programs. To achieve these goals, the BLM collaborates with many constituents throughout the year.

The BLM's goals under this mission have been organized into three main areas:

- Improving fire management and safety.
- Improving public safety and security and protecting public resources.
- Improving information management.

Providing Fire Protection

The Bureau provides fire protection on 388 million acres of public and state lands. The BLM's fire and aviation program works cooperatively with its Federal and state land management partners to suppress and manage wildland fire, conduct prescribed fires, and promote fire safety awareness through education and prevention programs. The Bureau's fire program also works closely with the BLM's other resource programs to improve the health of the land, reduce the risks of hazardous buildup of fuels, protect communities at risk, and improve wildlife habitat.

The BLM's National Office of Fire and Aviation is headquartered at the National Interagency Fire Center in Boise, Idaho, where fire experts develop policy, conduct wildland fire research, and coordinate with fire managers from other firefighting organizations, both nationally and internationally. Because wildland firefighting is a demanding and hazardous profession, the BLM takes every measure to ensure firefighter safety and protect life, property, and natural resources.

The public lands and their myriad resources —soil, vegetation, wildlife habitat, and human structures/improvements—are frequently at risk, particularly during a drought year. Much of the western United States is experiencing a multi-year drought, which has caused the fire danger to be much higher than normal.

Funding for the wildland fire program is managed centrally by the Department of the Interior, and performance measures and results are also reported centrally in the Department's *Annual Report on Performance and Accountability*.

Reducing Threats to Public Health, Safety, and Property

The BLM addresses a wide range of public land situations posing risks to public land users. BLM-owned facilities represent a substantial public investment in roads, bridges, dams, administrative sites, campgrounds, and firefighting stations. Maintaining these facilities in a safe condition and operating them in compliance with all safety, health, and environmental requirements is a key goal.

Historic and documented public land uses such as mining and milling operations; oil and gas production; landfills; military operations; and rights-of-way for powerlines, pipelines, and other commercial activities have resulted in environmental contamination from spills, leachate, emissions, exposure to the elements, and other types of releases. More recently, toxic releases have come from unlawful activities such as wire burning, illegal dumping of highly toxic wastes from drug production, and intentional dumping of toxic materials. Collectively, these activities represent a substantial potential for soil, water, and air pollution as well as threats to public health, safety, and property.

The BLM works to reduce environmental threats and to protect employees, visitors, and other public land users in many ways. The Bureau evaluates safety concerns, identifies hazards and risks, studies past experiences and

responses, trains employees, and educates the public. Regular inspections, maintenance, and repairs are completed for BLM-owned facilities, including administrative sites, campgrounds, other recreation sites, buildings, roads, bridges, trails, and dams. The BLM annually pursues funding for these response and cleanup activities through appropriate avenues.

The BLM performs Compliance Assessment—Safety, Health, and the Environment (CASHE) audits at all of its facilities on a recurring basis to identify facility compliance issues and assist the field's efforts to provide safe visits for the public. Audits were completed at 29 organizational units in FY 2006, the vast majority of which were third-round audits. The audits have resulted in the BLM making significant improvements in drinking water systems and hazardous materials storage.

Actions to achieve the goals under the Energy Management and Environmental Stewardship scorecards were initiated in FY 2006. Policy was issued and pilot efforts to implement Environmental Management Systems in the Washington Office and Wyoming State Office were initiated. The BLM is incorporating energy efficiency technologies and renewable energy into BLM installations and facilities. This work will be accomplished primarily by using an Energy Savings Performance Contract (ESPC).

BLM law enforcement officers work with partners both inside and outside the Bureau to protect lives, resources, and property. Initiatives to protect delicate and irreplaceable resources, safeguard visitors and employees, and recover losses to the government have been implemented.

Improving Land, Resource, and Title Information

The BLM holds extensive historical records and maintains current land title information for determining land ownership, condition, location, rights, and authorized uses on most of the private, public, and tribal lands in the United States. The agency performs cadastral surveys and completes land transactions, producing voluminous amounts of information that supports land management and scientific activities for many government agencies, as well as the private sector. Historical data on patented lands, along with current information on the mineral estate, resource conditions, and permits or leases on Federal lands, is updated and provided on a daily basis.

The BLM responds to thousands of requests for information every year and has improved customer access to and use of this information. Cadastral survey information for over 31,000 townships and over 4.2 million General Land Office (GLO) land title records has been converted to digital form; over 3 million of these records have also been scanned and imaged for viewing on the GLO website. These records are now more readily accessible to decision makers as well as the public, thanks to Internet and Geographic Information System (GIS) technologies.

In recent years, township data has been downloaded into multiple databases across the country to support applications ranging from wilderness, open space, planning, recreation, and commercial activities (oil and gas, timber, coal, etc.), to developing data bases for tax assessment and 911 emergency dispatch. The BLM's cadastral and land records provide a critical foundation for addressing energy development and urban growth throughout the United States.

As part of the BLM's responsibility defined in OMB Circular A-16 to support the National Data Infrastructure, cadastral data profiles have been developed for emergency management for hurricanes and wildland fires. These profiles will assist with the transfer of data from Federal, state, and local organizations to emergency management personnel. In 2006, cadastral data was assembled in western states for fire planning, deployment of fire support

personnel, and recovery efforts; information on property and structures was provided. Similar efforts are being facilitated to support hurricane preparedness in the Southeast. Additionally, at the request of the State Oil and Gas Commissioners, a draft energy data profile and standard Geographic Coordinate Data Base/Public Land Survey System data sets are being implemented to support oil and gas development.

The public is performing on-line Internet searches for information and subsequently downloading digital data (counted as a "request"), or filing requests for historical information directly with BLM offices. One example is the Bureau's General Land Office Records website, ***http://www.glorecords.blm.gov***. Since going on-line in May 1998, this site has filled more than 100 million requests for land records.

The BLM has the lead responsibility for the National Integrated Land System (NILS). This system is a collaborative project with the USDA Forest Service, states, counties, tribes, and other Federal agencies to provide a business solution for land managers. These individuals face an increasingly complex environment of complicated transactions, legal challenges, deteriorating and difficult-to-access records, and a deteriorating system of property boundaries. NILS provides the tools needed to collect, manage, and share survey data, cadastral data, and land records information.

Updating Land Use Plans

Accurate, up-to-date land use plans are integral to the effective management of the Nation's public lands because planning decisions form the basis for most of the BLM's on-the-ground management actions. Over the past two decades, the magnitude and the complexity of resource issues relating to the management of public lands have grown. Dramatic population growth in the West has resulted in increasing demands on the approximately 258 million acres of surface lands and hundreds of millions of acres of mineral estate managed by the BLM. Changing demands and conditions have included a recent emphasis on the need to develop renewable and nonrenewable domestic energy supplies; additions to the National Landscape Conservation System; new Endangered Species Act listings; and new regulations and policies that require the BLM to invite other Federal, state, and local agencies to participate in the BLM's land use planning activities.

Land use planning helps the Department of the Interior achieve its mission of protecting and managing the Nation's natural resources and cultural heritage, providing scientific and other information about those resources, and honoring its trust responsibilities or special commitments to American Indians and Alaska Natives. The land use planning process is community based and requires cooperation with Federal, state, tribal, and local governments; the general public; user and environmental groups; and industry. Through close collaboration and partnerships, the BLM determines how best to manage public lands to meet the needs both of local communities and of the Nation as a whole.

The BLM uses a cyclical planning process to ensure that land use plans and implementation decisions remain consistent with applicable laws, regulations, orders, and policies. In addition to public participation, the process involves resource assessment and analysis to make plan decisions, followed by plan implementation, monitoring, and evaluation. This process allows for continuous adjustments to respond to new issues and changed circumstances and to amend or revise plans based on ongoing monitoring and evaluation activities.

The BLM is continuing to develop and amend land use plans and to address priority and emerging issues, such as conservation of sagebrush communities for sage grouse and other sagebrush-dependent wildlife and plant species, the Healthy Forests Initiative, recreation,

and travel management (including off-highway vehicle use).

Providing Economic and Technical Assistance

The BLM carries out the Secretary's trust responsibility for several Indian programs, including approving and supervising post-lease mineral operations on Indian trust lands; conducting the cadastral survey of Indian lands; and issuing, or providing support to the Bureau of Indian Affairs (BIA) for, trust patents in the lower 48 states and Native allotments in Alaska.

The BLM coordinates with tribes, the BIA, the Minerals Management Service, and the Office of Surface Mining in order to supervise post-lease mineral operations on 56 million acres of Indian trust lands. These operations generate royalty incomes for Indian mineral owners and economic impacts for communities, as well as providing local employment to Tribal members.

Under the Act of April 8, 1864 (25 USC § 176), the General Land Office, now the BLM, is charged with the statutory responsibility for surveying any Indian lands or reservations as nearly as may be in conformity to the rules and regulations under which other public lands are surveyed. In addition to conducting field surveys, the BLM provides other cadastral services, such as preparing or reviewing legal descriptions, consulting on ownership and jurisdictional boundary issues, improving the condition of reservation boundaries, developing a Cadastral Geographic Information System (CGIS), developing a training program designed to increase the pool of qualified surveyors to meet the immediate survey needs of owners and managers, and providing training opportunities to the BIA and tribal entities. The BLM also assists in the fee-to-trust process, assists in the development of long-term plans to meet future survey needs, collects Geographic Coordinate Data Base information, and provides expert technical support for appeals, protests, and litigation on all Indian land issues.

The BLM provides essential cadastral surveys and services requested and funded by the BIA, tribal entities, and individuals. BLM surveyors also work with BIA and tribal employees, in concert with contractors, to populate and enhance the Geographic Coordinate Data Base in an effort to create the base layer of the CGIS. This CGIS will provide managers of Indian lands with an interactive tool to better utilize, develop, and promote Indian lands and resources

The BLM has a long history of providing support for community and statewide economic needs through land disposal and conveyance for many purposes under several authorities and programs. One of the BLM's most innovative land conveyance authorities is the Southern Nevada Public Land Management Act (SNPLMA), enacted in October 1998, as amended. This Act encourages the BLM to sell land in an open, competitive process, ensuring that the Federal government receives fair market value and generates the greatest return for the taxpayer.

Under SNPLMA, public land tracts within a congressionally designated disposal boundary that are interspersed with or adjacent to private land in the Las Vegas Valley (the fastest-growing urban area in the United States) are sold to the highest bidder and may not be sold for less than their appraised fair market value. A total of 85 percent of the land sale revenue collected is deposited into the SNPLMA Special Account and then invested in interest-bearing Treasury securities. These land sale proceeds and interest revenues can be used for eight specified purposes, including the acquisition of environmentally sensitive land in the State of Nevada; capital improvements at selected areas; development of a multi-species habitat conservation plan in Clark County, Nevada; development of parks, trails, and natural areas in Clark and Lincoln Counties; Federal Environmental Restoration Projects

under the Lake Tahoe Restoration Act; and costs associated with the disposal of lands and implementation of the Act.

The revenues generated under SNPLMA enable the BLM and other government entities to acquire and preserve environmentally sensitive lands and to build or maintain trails, day-use areas, campgrounds, or other facilities to benefit public land visitors.

As of September 30, 2006, the BLM's SNPLMA land sales Treasury account had $2.3 billion invested; interest earned during the year totaled $81.5 million. From the program's inception, the BLM has conveyed 34,137 acres under SNPLMA, with SNPLMA Special Account receipts of approximately $2.5 billion from all conveyances and interest earned. The Directors of the BLM, U.S. Fish and Wildlife Service, and National Park Service, in partnership with the Chief of the USDA Forest Service, have recommended and received approval from the Secretary of the Interior for the expenditure of almost $2.2 billion in the first six expenditure categories listed above, based both on revenues received and on revenues projected from land sales through September 30, 2006.

Another recently enacted bill, the Federal Land Transaction Facilitation Act, provides the authority to sell public lands and use sale proceeds to purchase other lands to benefit the BLM or other Federal land management agencies. The Act also permits the BLM to retain exchange equalization payments (often made by land exchange proponents to equalize values between Federal and private lands). Lands sold or exchanged must already be identified for disposal in an existing Federal land use plan approved before July 25, 2000.

Under this Act, which applies nationally and not just to southern Nevada, 4 percent of sales or exchange receipts are distributed to the state in which the sale occurred. These are to be used for educational purposes or for the construction of public roads and improvements.

Of the remaining receipts, the BLM can retain up to 20 percent to cover administrative costs of sales and exchanges under the Act. The remainder (that is, at least 80 percent) must be used to purchase inholdings or lands with exceptional resources adjacent to federally designated areas. Inholdings are any non-Federal lands located within specially designated areas managed by the BLM, National Park Service, U.S. Fish and Wildlife Service, or USDA Forest Service, including the Wild and Scenic River System, the National Trail System, Wilderness Areas, or Wilderness Study Areas.

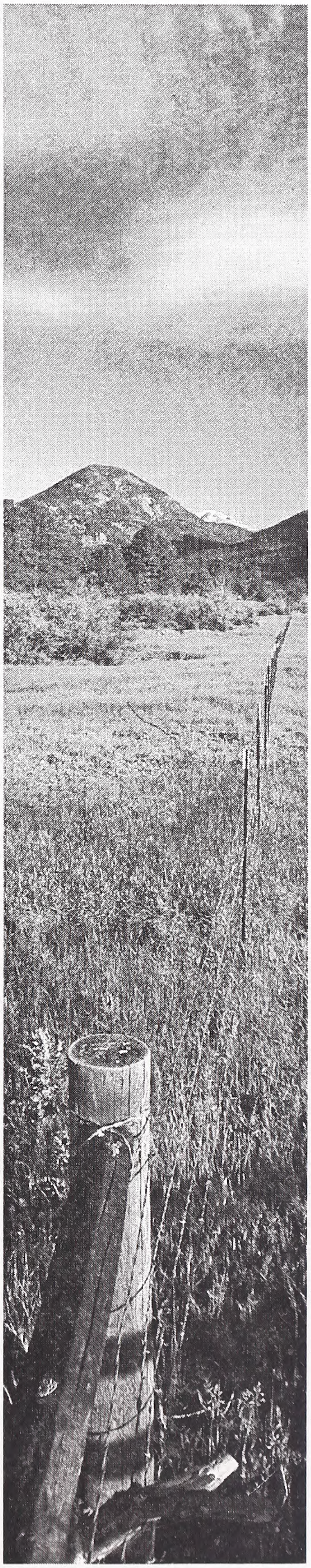
Not less than 80 percent of the acquisition funds must be used for land acquisitions in the same state in which sales occurred; the remaining 20 percent of acquisition funds may be used in the same state or in the 11 western states and Alaska. The Act does not mandate any sales or establish quotas for sale or purchase. As of September 30, 2006, sales proceeds under the Federal Land Transaction Facilitation Act totaled approximately $88.9 million and exchange proceeds amounted to approximately $3.2 million, for a cumulative total of $92.1 million.

A memorandum of understanding among the applicable Federal agencies to implement the Act was signed on May 5, 2003. This agreement provides the guidelines on how fund disbursements are to be determined in the future.

Table 4 portrays selected goals/targets and actual accomplishments for the serving communities mission area.

Table 4. Serving Communities: Selected Goals and Accomplishments			
FY 2006 Annual Goal	**Target**	**Actual**	**Discussion/Analysis**
Percent of unplanned and unwanted wildland fires controlled during initial attack	95%	92%	The severe fire season resulted in less effective initial attack and a greater number of escape fires.
Total number of acres treated that are in the wildland-urban interface (WUI) and identified as high priority through collaboration	197,931 acres	240,598 acres	As a result of the severe fire season, the BLM cancelled some prescribed burning outside the WUI and redirected the funds toward mechanical accomplishments within the WUI, resulting in increased accomplishment.
Percent of buildings (for example, administrative sites and employee housing) in fair to good condition	90%	92%	Increased emphasis on condition assessment and follow-up actions has resulted in an increase in buildings in fair to good condition.
Percent of other facilities (roads, dams, bridges, and trails) in fair to good condition	69%	92%	Increased emphasis on condition assessment resulted in the reappraisal of BLM roads in 2006. An increased number of roads were found to be in fair to good condition.
Cumulative percent of Alaska lands conveyed to the State of Alaska and Alaska Native Corporations	44.9%	45%	New provisions provided by the Alaska Land Transfer Acceleration Act, Public Law 108-452, will allow the BLM to streamline land conveyances.
Number of public land title records posted on the Internet to assist title, survey, historical, and genealogical research and retrieval	200,000	260,397	The BLM was able to post 110,246 additional records on the internet in 2006.
Number of acres of land disposals and conveyances completed outside of Alaska	105,000	121,788	An increased number of disposals and conveyances are completed outside of Alaska each year.
Percent of total land within SNPLMA boundary offered for sale or disposal under the Recreation and Public Purposes Act	Establish New Baseline	13%	There were 4,412 acres within the SNLPMA boundary offered for sale in 2006.
Percent of SNPLMA parcels offered for sale within 12 months of nomination	Establish New Baseline	12%	There were 3,907 SNPLMA parcels offered for sale within 12 months of nomination in 2006.
Percent of parcels offered by a willing seller for acquisition by the BLM that are acquired under SNPLMA	Establish New Baseline	1.92%	There were 1,115 parcels acquired under SNPLMA in 2006.
Percent of funds expended on acquisitions by the BLM from willing sellers within two years of approved SNPLMA funding availability	Establish New Baseline	19%	A total of $13,590,000 was expended on acquisitions within two years of approved SNPLMA funding availability.

Systems, Controls, And Legal Compliance



Managerial, Administrative, and Financial Controls

The Bureau of Land Management completed an assessment of its systems of managerial, administrative, and financial controls in September 2006 in accordance with the standards, objectives, and guidelines prescribed by the Federal Managers' Financial Integrity Act (FMFIA) and the Office of Management and Budget (OMB). The objectives of this assessment were to ensure that:

- Programs achieved their intended results;
- Resources were used consistent with the agency's mission;
- Resources were protected from waste, fraud, and mismanagement;
- Laws and regulations were followed; and
- Reliable and timely information was maintained, reported, and used for decision making.

In performing its assessment, the BLM management relied on its knowledge and experience gained from the daily operation of Bureau programs and systems of accounting and administrative controls. The BLM's assessment was based on information obtained as of September 30, 2006, from sources such as internal management control assessments, Office of Inspector General (OIG) and Government Accountability Office (GAO) audits, KPMG's prior-year audit of the Bureau's financial statements, various program evaluations/studies, and performance plans and reports.

Based on all of the above, as well as the results of the BLM's independent financial statement audit for FY 2005, the Bureau can conclude the following:

- The BLM's systems of management, administrative and financial controls provide reasonable assurance that the objectives of the FMFIA have been achieved.
- The BLM is in compliance with the U.S. Government Standard General Ledger at the transaction level, and with Federal accounting standards as required by the Federal Financial Management Improvement Act (FFMIA). In KPMG's opinion, the BLM did not comply with accounting standards relating to

condition reporting for museum collections; however, the BLM and the Department of the Interior believe that the BLM's reporting is in compliance.

- The BLM's information technology systems provide reasonable assurance that the objectives of OMB's Circulars A-127, Financial Systems, and A-130, Management of Federal Information Resources, have been achieved.

Table 5 outlines the specific management control assessments and audits on which the Bureau relied for its annual assurance statement.

Table 5: FY 2006 Assessments and Audits

Assessment Audit	Scope	Date Completed	Results
Law Enforcement	Arizona	August 2006	No material weaknesses identified.
Procurement	Alaska	August 2006	No material weaknesses identified.
Procurement	California	August 2006	No material weaknesses identified.
Procurement	National Fire Center (NIFC)	August 2006	No material weaknesses identified.
Procurement	Montana	August 2006	No material weaknesses identified.
Procurement	Oregon	August 2006	No material weaknesses identified.
Property & Fleet Management	Alaska	July 2006	No material weaknesses identified.
Property & Fleet Management	California	July 2006	No material weaknesses identified.
Property & Fleet Management	Oregon	July 2006	No material weaknesses identified.
General Management	Utah	November 2005	No material weaknesses identified.
General Management	Montana	August 2006	No material weaknesses identified.
General Management	Headquarters Renewable Resources Group	March 2006	No material weaknesses identified.
Program	Invasive & noxious weeds	August 2006	No material weaknesses identified.
Program	Range	August 2006	No material weaknesses identified.
Program	Challenge cost share	August 2006	No material weaknesses identified.
Program	Forestry stewardship contracting	August 2006	No material weaknesses identified.
Program	Helium	August 2006	No material weaknesses identified.
Program	Environmental Cleanup Liabilities	August 2006	No material weaknesses identified.

Table 5: FY 2006 Assessments and Audits *(continued)*			
Assessment Audit	**Scope**	**Date Completed**	**Results**
Program	Land & Water Conservation Fund	August 2006	No material weaknesses identified.
Program	Oil & Gas surface management	August 2006	No material weaknesses identified.
Program	Eastern States lands & realty	August 2006	No material weaknesses identified.
Program Assessment Rating Tool (PART)	Resource protection & performance measures	August 2006	No material weaknesses identified.

GAO & OIG Audits:

Assessment/ Audit	Scope	Title	Date Issued	Results
GAO-06-294	Rural Economic Development	More Assurance is Needed That Grant Information Is Accurately Reported	April 2006	No "open" recommendations for fiscal year 2006 applicable to this audit.
GAO-06-304	Public Service Announcement Campaigns	Activities and Financial Obligations for Seven Federal Departments	February 2006	No "open" recommendations for fiscal year 2006 applicable to this audit.
GAO-06-336	Natural Resources	Woody Biomass Users' Experiences Offer Insights for Government Efforts Aimed at Promoting Its Use	March 2006	No "open" recommendations for fiscal year 2006 applicable to this audit.
GAO-06-353	Invasive Forest Pests	Lessons Learned from Three Recent Infestations May Aid in Managing Future Efforts	May 2006	No "open" recommendations for fiscal year 2006 applicable to this audit.
GAO-06-379	Workplace Safety and Health	OSHA Could Improve Federal Agencies' Safety Programs with a More Strategic Approach to Its Oversight	April 2006	No "open" recommendations for fiscal year 2006 applicable to this audit.
GAO-06-476	Telecommunications	Full Adoption of Sound Transition Planning Practices by GSA at Selected Agencies Could Improve Planning Efforts	June 2006	No "open" recommendations for fiscal year 2006 applicable to this audit.
GAO-06-570	Wildland Fire Suppression	Lack of Clear Guidance Raises Concerns about Cost Sharing between Federal and Nonfederal Entities	May 2006	No "open" recommendations for fiscal year 2006 applicable to this audit.
GAO-06-624	Wood Utilization	Federal Research and Development Activities, Support and Technology Transfer	April 2006	No "open" recommendations for fiscal year 2006 applicable to this audit.

Table 5: FY 2006 Assessments and Audits *(concluded)*				
GAO & OIG Audits:				
Assessment/ Audit	**Scope**	**Title**	**Date Issued**	**Results**
GAO-06-629	Geothermal Energy	Increased Geothermal Development Will Depend on Overcoming Many Challenges	April 2006	No "open" recommendations for fiscal year 2006 applicable to this audit.
OIG W-IN-MOA-0002-2005	Hazardous Fuels Reduction	Hazardous Fuels Reduction	April 2006	Existing BLM wildland fire measures incorporated into the BLM's performance management system

The BLM completed its FY 2006 Improper Payments risk assessment as required by the Improper Payments Information Act of 2002, P.L. 107-300. The Bureau reassessed programs exceeding $100 million in annual outlays. This assessment did not identify any "high" risk programs based on the criteria defined by OMB. Additionally, none of the BLM's programs and activities required reporting to the President and the Congress or required a progress report on actions to reduce improper payments.

Business and Financial Systems Integration and Controls

The Bureau's accounting system, the Federal Financial System (FFS), is composed of a number of interrelated subsystems that handle the BLM's complex financial processing needs. FFS capabilities include recording the BLM's budget authority at various levels (appropriations, apportionments, allotments, allocations, etc.) and tracking the execution of the budget at each of these levels. FFS records the amounts billed and collected for services rendered by the BLM; this information is used to prepare bills and dunning notices.

The system also supports buying goods and services and paying vendors, including complying with prompt payment requirements and maintaining relationships with various purchasing documents, such as commitments, obligations, requisitions, receiving reports, and payment vouchers. FFS supports travel document and payroll processing, cost allocation, and cost accumulation, as well as the application of indirect support rates to calculate the full costs of projects. All transactions recorded to various tables in each FFS subsystem support accounting functions that update the general ledger.

The system accounts for every type of Federal appropriated and nonappropriated fund within the BLM's budget authority, including annual, multi-year, and no-year appropriations. Nonappropriated funds include revolving and working capital funds, budget clearing accounts, and deposit and receipt accounts.

Payments to commercial vendors are generally subject to the Prompt Payment Act, as implemented under OMB Circular A-125. FFS automatically determines if a payment is subject to prompt payment based on the type of vendor and the type of transaction. If a payment is subject to prompt payment, FFS ensures compliance in terms of scheduling the payment, automatically evaluating discount terms, paying any interest due if the payment is late, and taking into account any payment terms unique to the order or vendor.

FFS distinguishes numerous collection types: revenue (billed and unbilled), vendor

refund, advance received from a customer, and repayment of a travel advance. Collections and disbursements can involve either a cash or noncash transaction.

Strict edits on all input data ensure the validity of data entered into the system. Editing logic includes a verification of valid accounting distribution and spending controls, along with the completion of required data elements. Once a transaction passes all edits, all relevant tables and the general ledger are simultaneously updated.

FFS also includes a number of processes to ensure the integrity of the database and to assist in administering the system. Processing routines include system assurance programs that verify the header and line tables are in agreement, all journal postings are in balance, and all budget records are properly posted. To detect any out-of-balance conditions that might occur due to equipment or system software failures, the system assurance programs verify that components of the online system (reference and inquiry tables, including the General Ledger and budget tables) balance with the historical sequential journal that is the official audit trail.

The Fixed Assets subsystem of FFS allows tracking of all capitalized real and personal property, as well as items designated as "Bureau-sensitive" or "Field-sensitive." Bureau-sensitive items include personal computers, firearms, surveying equipment, and Global Positioning System (GPS) equipment valued at more than $500. Field-sensitive items include property that a BLM field office might want to track regardless of the acquisition cost, such as binoculars.

The Fixed Assets subsystem reconciles property items actually received and accounted for with items purchased. Once a property item is officially documented as "received," a custodial officer and property number are assigned, and the item is then inventoried every year. The Fixed Assets subsystem also records when an item is disposed of through public sale, transfer to another agency, or donation to a school or college.

The Bureau was one of the first agencies in the Department of the Interior to establish an interface between the Interior Department Electronic Acquisition System (IDEAS) and FFS. With this interface, once an obligation document (a purchase order, task order, delivery order, contract, or modification) is created in IDEAS, the obligation can be electronically posted to FFS. If the obligation passes successfully to FFS, a confirmation is posted in IDEAS. In addition, IDEAS can pass a funding commitment document to FFS so that funds can be set aside pending actual obligation.

With the level of integration and cross-checking in place among the BLM's acquisition, accounting, and property management/ accounting systems, the Bureau has fulfilled the requirement to establish sound management controls and ensure legal compliance.

Management Challenges—Looking Ahead

Natural and Human-Caused Disasters

Most of the Bureau's facilities are located in the western states and Alaska. These facilities are susceptible to typical risks for buildings and structures such as fire, power outages, and natural disaster threats resulting from local conditions such as flooding, tornados, winter storms, and earthquakes.

BLM facilities, personnel, and resources are also subject to security-related risks. The threats and acts of terrorism that occurred in 2001 reinforced the need for government agencies review and revise business continuity and related contingency plans to ensure that essential services can be provided during emergency conditions.

Possible Future Effects: Natural and human-caused disasters could range from minor damage or disruption to large-scale catastrophes resulting in extensive employee injuries and destruction of property. The BLM's contingency plans are designed to save lives, prevent damage, and minimize adverse consequences. However, no amount of planning and preparation can prevent disasters from striking.

Wildland Fires

As noted in a previous section, the Bureau provides fire protection on 388 million acres of public and state lands. The BLM's fire and aviation program works cooperatively with its Federal and state land management partners to suppress and manage wildland fire, conduct prescribed fires, and promote fire safety and fire ecology awareness through education and prevention programs. The Bureau's fire program also works closely with the BLM's other resource programs to improve the health of the land, reduce the risks of hazardous buildup of fuels, protect communities at risk, and improve wildlife habitat.

The public lands and their myriad resources—soil, vegetation, wildlife habitat, human structures/improvements and more—are frequently at risk from wildfire, particularly during drought years. Much of the western United States has been experiencing a multi-year drought cycle, meaning we are in an era where high fire danger and an increased potential for large fires are the norm.

Possible Future Effects: While the BLM is taking steps to reduce the number of human-caused fires, natural fire causes (such as lightning) mean fire will continue to present a threat to public lands and resources. The Bureau's professional firefighting workforce will

continue to respond quickly to fire starts to keep them from becoming large, catastrophic events.

Crime and Unauthorized Use

Two-thirds of BLM-administered lands are within an hour's drive of major urban areas. In these interface areas, illegal activities endanger public health and safety and result in damage to resources and property. With nearly 93 percent of public lands open to some form of off-highway vehicle (OHV) use, violations such as operating vehicles outside designated areas and trails and operating OHVs while under the influence of alcohol or in violation of safety-related regulations make up over half the workload of the law enforcement program.

Illegal drug activity, including marijuana cultivation and drug labs, is an increasing problem. The BLM is working cooperatively with other agencies to eradicate marijuana plants found growing on public lands, and to investigate and seek prosecution of crimes to discourage illegal use.

There are numerous prehistoric and historic sites on public lands, including ancient dwellings, burial sites, historic trails, cabins, forts, and mines. Despite laws authorizing severe penalties, illegal collecting and vandalism are common.

The trafficking of drugs and illegal immigrants through BLM lands on the border with Mexico has resulted in heavy resource damage, including discarded trash, discarded vehicles, off-road travel by smugglers, and the illegal setting of fires.

Possible Future Effects: Crime and unauthorized use will continue to be a problem as visitation increases at many BLM recreational sites. This will continue to cause the loss of resources; significant sums of money will be needed to rehabilitate and restore public lands and resources to former levels of health and productivity. Perhaps the most dramatic examples are the looting of cultural and paleontological resources, which in some cases have been sold to collectors, and the millions of dollars in lost resources and funds expended for the suppression of human-caused fires.

Deferred Maintenance

Deferred maintenance occurs when regularly scheduled repairs, preventive maintenance, and replacements of parts and components are not performed when they should have been and are, therefore, delayed until a future time. The problem is compounded by the fact that maintenance costs are increasing, especially for work using petroleum-based products or involving extensive travel.

The trend has been for the BLM's inventory of fixed capital assets (buildings, roads, recreation sites, etc.) to increase over time. Adequate funding and staffing for repairs and maintenance is essential if the Bureau is to maintain its facilities in good functioning condition and reduce its accumulated deferred maintenance workload. The Deferred Maintenance section presented later in this document provides more detailed information on the extent of the BLM's constructed assets (buildings, administrative sites, recreation sites, roads, bridges, trails, and dams) and accumulated deferred maintenance.

Possible Future Effects: Funding is needed for normal repairs, preventive maintenance, component renewal, and other activities needed to preserve the BLM's portfolio of constructed assets so they continue to provide acceptable service, safety, and quality experiences for public users. The estimated and reported cost of regularly scheduled repairs and preventive maintenance must accurately reflect the BLM's true annual maintenance needs.

Preservation of capital investments is contingent on the BLM's ability to perform preventive maintenance and make timely repairs. Maintenance that is deferred becomes more costly over time. If delayed long enough,

the result is severe deterioration or even a total loss of facilities. This, in turn, could result in resource damage. For example, not maintaining a hiking trail on steep terrain could result in soil erosion, the formation of gullies, loss of vegetation, sedimentation of nearby streams, and degradation of aquatic and riparian habitat. In some instances, critical health and safety problems could be created for both BLM employees and the public.

Contingent Liabilities: Judgments and Claims

The BLM is a party to a number of lawsuits where the plaintiff is seeking monetary damages. The lawsuits can involve a variety of issues, including lost revenues when timber contracts are suspended because of environmental concerns; injuries or death that occur on BLM-managed public land or roads; takings and suspension of mining claims; and other issues.

Possible Future Effects: The outcomes of lawsuits will not materially affect the BLM's future financial condition or operations. The U.S. Treasury's judgment fund would likely bear most of the costs incurred to pay any judgments or settlements.

Contingent Liabilities: Environmental Cleanup

The Comprehensive Environmental Response, Compensation, and Liability Act of 1980, the Clean Water Act of 1977, and the Resource Conservation and Recovery Act of 1976 require Federal agencies to report sites where (1) hazardous substances have been released or (2) hazardous wastes are or have been stored, treated, or disposed of. These Acts also require responsible parties, including Federal agencies, to clean up releases of hazardous substances, to restore injured natural resources, and to manage hazardous wastes.

The BLM faces major challenges in cleaning up hazardous substance releases on public land. Virtually all of these releases arise from non-BLM uses of the lands, such as illegal dumping, transportation spills, landfills, mineral development operations, pipelines and airstrips. The BLM is working aggressively to identify and prioritize sites posing a danger to humans or natural resources, and to seek funding to remediate those with the highest risk. Also, it is the BLM's policy to seek cost avoidance and/or cost recovery from responsible parties to cover the cleanup costs whenever possible.

Possible Future Effects: Undetected or unmitigated releases of hazardous substances on public lands could result in resource damage (soil or water contamination, vegetation loss, wildlife habitat destruction, etc.). Loss of human life, harm to human health, and damage to property are also possible, especially in the rapidly growing wildland-urban interface areas of the West and in the more heavily used recreation areas. The presence of large, undeveloped rural tracts of public land may help minimize the odds of impacts to the public.

Contingent Liabilities: Abandoned Mine Lands

The Bureau maintains an inventory of known abandoned mine land (AML) sites that may pose an environmental or public safety hazard on the public lands. BLM personnel conduct targeted field validations of potential AML sites and hazards, with the primary focus on priority watersheds and high-use areas. State agencies and the public often identify AML hazards they encounter on public lands.

The BLM works in partnership with other government agencies and private landowners to target and leverage funding and coordinate projects. Watershed projects are typically complex, multi-year efforts.

Possible Future Effects: Given the large

number of abandoned mine sites believed to exist on BLM-administered public lands, there is a significant potential for serious injuries or death for people who wander across these sites or who explore old mine tunnels and buildings. The BLM faces exposure to lawsuits or claims for damages resulting from deaths or injuries at these sites. As population sprawl continues across the West, and as more visitors come to the public lands to enjoy recreation activities and experience open space, more people will come into contact with what once were remote abandoned mine sites. The BLM has no basis for estimating the future financial impact of abandoned mine hazards.

An unstable structure at the abandoned Kelly Mine in California.

Discussion and Analysis of the Financial Statements

This Annual Report presents the BLM's financial statements. There are four basic objectives for financial reporting in the Federal government:

- Budgetary integrity (accounting for resources obtained and resources spent),
- Operating performance (the cost of programs and the results achieved for the dollars spent),
- The government's stewardship over government assets such as land and heritage assets (improvement or deterioration in these assets over the reporting period), and
- Systems and controls (the presence of cost-effective systems and controls to adequately safeguard assets).

To meet these reporting objectives, the BLM is presenting the following financial reports in this Annual Report:

- Consolidated Balance Sheets: These statements report on the operating assets and liabilities related to the delivery of goods and services. They display the dollar value of unspent funds, assets (such as accounts receivable; inventory; investments; and property, plant, and equipment), and liabilities (such as accounts payable and various accrued liabilities).
- Consolidated Statements of Net Cost of Operations and Consolidated Statements of Changes in Net Position: These statements report the costs of providing government goods, services, and benefits, and provide information on the changes in financial position from one year to the next. They contain the total cost of operations, revenue generated from operations, and appropriations (dollars) used to fund the net cost of operations.
- Combined Statements of Budgetary Resources and Consolidated Statements of Financing: The Combined Statements of Budgetary Resources show the budgetary resources made available through appropriations and other sources, obligations incurred against those resources, and the dollar amount of cash outlays. The Consolidated Statements of Financing explain and reconcile the relationship of budgetary obligations to the net cost of operations.

- Consolidated Statements of Custodial Activity: These statements report on the collection and disposition of custodial revenue for first-year rents and bonuses on lease agreements related to oil and gas, coal, and other leasable minerals.

- Required Supplementary Information—Stewardship Lands and Heritage Assets Report: This report displays the nature and condition (not dollar values) of stewardship assets. Stewardship assets are property entrusted to or owned by the Federal government for the long-term benefit of the Nation (such as public land). The government is charged with safeguarding and maintaining these assets. Valuation would be extremely difficult in most cases. Expenditures for stewardship assets are included as part of net cost on the Consolidated Statements of Net Cost of Operations.

- Required Supplementary Information—Deferred Maintenance Report: This report displays the estimated dollar value of maintenance that was not performed when scheduled, and that has been delayed to a future period, for general property, plant, and equipment and for stewardship assets. Deferred maintenance includes preventive maintenance, normal repairs, replacement of parts and structural components, and other activities needed to preserve the asset so that it continues to provide acceptable services and achieves its expected life.

- Required Supplementary Stewardship Information—Investment in Research and Development Report: This report provides an overview of the BLM's investment in research and development activities that support the management of our Nation's public lands and resources. It details both new and continuing research and development activities.

The BLM believes the financial statements are a fair and accurate presentation of its financial position, net cost of operations, changes in net position, budgetary resources, and custodial activity, as well as details regarding financing. This is reflected in the unqualified (clean) audit opinion rendered on the BLM's financial statements by its independent auditors. Sound financial management is a top priority for the BLM at all levels of the organization.

Limitations of the Financial Statements

The financial statements have been prepared pursuant to the requirements of the Chief Financial Officers Act of 1990. While the financial statements have been prepared from the BLM's books and records in accordance with guidance issued by the Federal Accounting Standards Advisory Board (FASAB) and guidelines provided by the Office of Management and Budget, the financial statements may differ from financial reports used to monitor and control budgetary resources that are prepared from the same BLM books and records.

The financial statements should be read with the realization that they are for a component of a sovereign entity, that liabilities not covered by budgetary resources cannot be liquidated without enactment of an appropriation, and that payment of all liabilities other than for contracts can be abrogated by the sovereign entity.

Significant Financial Statement Events

The BLM was involved in financial transactions during the year that resulted in significant changes in various line items on the financial statements between Fiscal Year (FY) 2006 and FY 2005:

- The Southern Nevada Public Land Management Act (SNPLMA), enacted

in October 1998, authorizes the BLM to sell public land tracts that are interspersed with or adjacent to private land in the Las Vegas Valley. The BLM is authorized to invest 85 percent of the sales in interest-bearing Treasury securities, while 10 percent of the proceeds go to the Southern Nevada Water Authority and 5 percent goes to the State of Nevada's Education Fund. The revenues generated from the land sales and investments enable the BLM and other government entities to acquire environmentally sensitive lands and build or maintain trails, day-use areas, campgrounds, etc., to benefit public land visitors. Each year, the revenue generated from these land sales has significantly increased. As of the end of FY 2005, the BLM maintained $1.7 billion in investments related to SNPLMA land sales. During FY 2006, the Bureau collected $783 million in cash receipts related to land sales and interest revenue. These collections, less expenses within the fund, created a $2.3 billion investment balance related to the SNPLMA at the end of FY 2006.

- When the BLM conducts SNPLMA land sales, a 20 percent down payment is collected from each successful bidder to hold a land parcel. These collections are reported as deferred revenue until the sale becomes final. Successful bidders typically have 180 days from the sale date to finalize the land transaction and pay the remaining 80 percent. All SNPLMA land sales during FY 2005 were finalized prior to the end of the fiscal year; therefore, there was no deferred revenue. Land sales during the second half of FY 2006 resulted in the BLM reporting $1.8 million in deferred revenue as of September 30, 2006.

- The BLM sells oil and gas leases, coal leases, and other types of minerals leases. The BLM receives bid deposits on these lease sales and records them as a liability while they await adjudication. Once the adjudication process is complete, the deposits are either refunded or combined with additional receipts, which represents custodial activity, and transferred to the Minerals Management Service (MMS). During FY 2005, the BLM transferred $610 million to the MMS and as of September 30, 2005, had recorded a liability of $57.6 million for leases not yet adjudicated. During FY 2006, the BLM transferred $293 million to the MMS and as of September 30, 2006, had recorded a liability of $441,000 for leases not yet adjudicated.

- The Department of the Interior's FY 2006 appropriation bill moved the management of the HAZMAT fund from the BLM to the Department's Office of the Secretary (OS) effective October 1, 2005. As a result, the BLM removed financial records related to the parent account of HAZMAT from its accounting system, including FY 2006 beginning balances. Conversely, the Office of the Secretary placed these records into its accounting system and began managing the HAZMAT fund on October 1, 2005.

The BLM's Net Position at the end of FY 2006 was approximately $2.7 billion, an increase of approximately $900 million compared to FY 2005. The BLM's Net Position consists of two components: (1) Unexpended Appropriations of approximately $505 million and (2) Cumulative Results of Operations of approximately $2.2 billion. The increase in the BLM's overall Net Position can be attributed mostly to the SNPLMA land sales, as noted above.

FINANCIAL STATEMENTS

Consolidated Balance Sheets as of September 30, 2006 and 2005 (dollars in thousands)

	2006	2005
Assets (Note 2):		
Intragovernmental:		
Fund Balance with Treasury (Note 3)	$1,200,472	$1,064,535
Investments, Net (Note 4)	2,361,520	1,749,803
Accounts Receivable (Note 5)	16,081	15,388
Other:		
Advances and Prepayments	718	1,277
Total Intragovernmental	3,578,791	2,831,003
Cash in Imprest Funds	54	56
Accounts Receivable, Net (Note 5)	10,570	10,367
Inventory and Related Property (Note 6)	279,425	304,378
General Property, Plant, and Equipment, Net (Note 7)	410,097	388,933
Other:		
Travel Advances	108	77
Total Assets (Note 8)	$4,279,045	$3,534,814
Stewardship Land and Heritage Assets (Note 9)		
Liabilities and Net Position:		
Liabilities (Note 10):		
Intragovernmental:		
Accounts Payable	$ 48,387	$ 38,981
Debt to Treasury (Note 11)	914,204	1,074,204
Other:		
Accrued Payroll and Benefits	3,305	3,208
Custodial Liabilities	279	57,519
Undistributed Collections	108,989	93,802
Deferred Revenue	7,530	9,949
Unfunded Payroll Liabilities (Note 12)	23,082	22,129
Due to Treasury Judgment Fund	12,253	12,253
Total Intragovernmental	1,118,029	1,312,045
Accounts Payable	36,353	37,365
Environmental and Disposal Liabilities (Note 13)	1,721	3,491
Federal Employee Benefits - FECA Actuarial Liability	94,915	94,971
Other:		
Accrued Payroll and Benefits	30,307	29,466
Custodial Liabilities	162	65
Secure Rural Schools Act Payable	106,719	106,810
Deposit Funds (Note 14)	131,401	102,889
Deferred Revenue	1,802	–
Unfunded Annual Leave	56,695	57,466
Contingent Liabilities (Note 13)	2,465	1,465
Total Liabilities	1,580,569	1,746,033
Commitments and Contingencies (Notes 13 and 15)		
Net Position:		
Unexpended Appropriations - Earmarked Funds (Note 16)	6,268	471,557
Unexpended Appropriations - Other Funds	498,309	–
Cumulative Results of Operations - Earmarked Funds (Note 16)	1,848,762	1,317,224
Cumulative Results of Operations - Other Funds	345,137	–
Net Position	2,698,476	1,788,781
Total Liabilities and Net Position	$4,279,045	$3,534,814

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Net Cost of Operations for the Fiscal Years Ended September 30, 2006 and 2005 (dollars in thousands)

	2006	2005
Resource Protection		
Total Cost	$ 345,807	$ 363,292
Less: Total Earned Revenue	846,960	1,225,722
Net (Revenue)	(501,153)	(862,430)
Resource Use		
Total Cost	383,135	346,186
Less: Total Earned Revenue	299,518	220,234
Net Cost	83,617	125,952
Recreation		
Total Cost	144,800	184,000
Less: Total Earned Revenue	27,749	16,909
Net Cost	117,051	167,091
Serving Communities		
Total Cost	1,226,209	1,292,316
Less: Total Earned Revenue	166,719	264,935
Net Cost	1,059,490	1,027,381
Total		
Total Cost (Note 17)	2,099,951	2,185,794
Less: Total Earned Revenue	1,340,946	1,727,800
Net Cost of Operations (Notes 18)	$ 759,005	$ 457,994

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Changes in Net Position for the Fiscal Years Ended September 30, 2006 and 2005 (dollars in thousands)

	Earmarked (Note 16)	All Other	2006	2005
Unexpended Appropriations:				
Balances, Beginning of Year	$ 7,414	$ 464,143	$ 471,557	$ 461,141
Change in Central HAZMAT Ownership (Note 19)	-	(1,789)	(1,789)	-
Balances, Beginning of Year, as Adjusted	7,414	462,354	469,768	461,141
Budgetary Financing Sources:				
Appropriations Received, General Funds	105,974	1,854,350	1,960,324	1,931,631
Appropriations Used	(107,120)	(1,523,257)	(1,630,377)	(1,541,145)
Appropriations Transferred In/(Out), Net	-	(268,872)	(268,872)	(354,432)
Other Adjustments	-	(26,266)	(26,266)	(25,638)
Total Budgetary Financing Sources	(1,146)	35,955	34,809	10,416
Balances, End of Year	$6,268	$ 498,309	$ 504,577	$ 471,557
Cumulative Results of Operations:				
Balances, Beginning of Year	$1,013,264	$ 303,960	$1,317,224	$ 189,694
Change in Central HAZMAT Ownership (Note 19)	-	(4,401)	(4,401)	-
Change in Accounting Principle (Note 20)	(2,765)	-	(2,765)	-
Balances, Beginning of Year, as Adjusted	$1,010,499	$ 299,559	$1,310,058	$ 189,694
Budgetary Financing Sources:				
Appropriations Used	107,120	1,523,257	1,630,377	1,541,145
Royalties Retained	68,609	3,210	71,819	81,409
Transfers In/(Out) Without Reimbursement, Net	(16,285)	(121,434)	(137,719)	(115,127)
Other Budgetary Financing Sources	(10)	33	23	(152)
Other Financing Sources:				
Imputed Financing from Costs Absorbed by Others (Note 20 and 21)	5,916	73,750	79,666	79,870
Transfers In/(Out) Without Reimbursement, Net	19,046	(20,366)	(1,320)	(1,621)
Total Financing Sources	184,396	1,458,450	1,642,846	1,585,524
Net Cost of Operations	653,867	(1,412,872)	(759,005)	(457,994)
Net Change in Cumulative Results of Operations	838,263	45,578	883,841	1,127,530
Balances, End of Year	$1,848,762	$ 345,137	$2,193,899	$1,317,224

The accompanying notes are an integral part of these financial statements.

Combined Statements of Budgetary Resources for the Fiscal Years Ended September 30, 2006 and 2005 (dollars in thousands)

	2006	2005
(Note 22)		
Budgetary Resources:		
Unobligated Balance, Beginning of Year	$ 1,224,088	$ 877,799
Change in Central HAZMAT Ownership (Note 19)	(4,286)	-
Recoveries of Prior Year Unpaid Obligations	127,895	72,282
Budget Authority:		
Appropriations Received	3,031,047	3,307,411
Spending Authority from Offsetting Collections:		
Earned:		
Collected	329,397	266,032
Receivable from Federal Sources	1,775	3,765
Change in Unfilled Customer Orders:		
Advance Received	(2,404)	(6,625)
Without Advance from Federal Sources	4,754	(5,113)
Total Budget Authority	3,364,569	3,565,470
Nonexpenditure Transfers, Net	92,482	(6,963)
Permanently Not Available Pursuant to Public Law	(26,395)	(25,795)
Total Budgetary Resources	$ 4,778,353	$ 4,482,793
Status of Budgetary Resources:		
Obligations Incurred:		
Direct	$ 2,776,452	$ 3,175,597
Reimbursable	86,352	83,108
Total Obligations Incurred	2,862,804	3,258,705
Unobligated Balance Available, Apportioned	1,915,549	1,224,069
Unobligated Balance Not Available	-	19
Total Status of Budgetary Resources	$ 4,778,353	$ 4,482,793
Change in Obligated Balance:		
Obligated Balance, Net:		
Obligations, Beginning of Year	$ 1,506,737	$ 914,884
Change in Central HAZMAT Ownership (Note 19)	(20,073)	-
Less: Uncolleted Customer Payments from Federal Sources, Beginning of Year	(41,634)	(42,983)
Total Obligated Balances, Net, Beginning of Year (Note 19)	1,445,030	871,901
Obligations Incurred, Net	2,862,804	3,258,705
Less: Gross Outlays	(2,672,615)	(2,594,569)
Less: Recoveries of Prior Year Unpaid Obligations	(127,896)	(72,282)
Change in Uncollected Customer Payments from Federal Sources	(6,529)	1,348
Total Obligated Balance, Net, End of Year	$ 1,500,794	$ 1,465,103
Obligated Balance, Net, End of Year:		
Unpaid Obligations	$ 1,548,957	$ 1,506,737
Less: Uncollected Customer Payments from Federal Sources	(48,163)	(41,634)
Total Obligated Balance, Net, End of Year	$ 1,500,794	$ 1,465,103
Net Outlays:		
Net Outlays		
Gross Outlays	$ 2,672,615	$ 2,594,569
Less: Offsetting Collections	(326,993)	(259,407)
Less: Distributed Offsetting Receipts	(1,371,828)	(1,478,385)
Net Outlays	$ 973,794	$ 856,777

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Financing for the Fiscal Years Ended September 30, 2006 and 2005 (dollars in thousands)

	2006	2005
Resources Used to Finance Activities:		
Budgetary Resources Obligated:		
Obligations Incurred	$ 2,862,804	$ 3,258,705
Spending Authority from Offsetting Collections and Recoveries	(461,418)	(330,341)
Obligations Net of Offsetting Collections and Recoveries	2,401,386	2,928,364
Offsetting Receipts	(1,371,828)	(1,478,385)
Net Obligations	1,029,558	1,449,979
Other Resources:		
Transfers In/(Out) Without Reimbursement, Net	(1,320)	(1,621)
Imputed Financing From Costs Absorbed by Others (Note 21)	79,666	79,870
Net Other Resources Used to Finance Activities	78,346	78,249
Total Resources Used to Finance Activities	1,107,904	1,528,228
Resources Used to Finance Items Not Part of the Net Cost of Operations:		
Change in Budgetary Resources Obligated for Goods and Services Ordered But Not Yet Provided	(47,936)	(575,780)
Resources That Fund Expenses Recognized in Prior Periods	(160,446)	(65,176)
Offsetting Receipts Not Part of the Net Cost of Operations	306,048	(47,892)
Resources That Finance the Acquisition of Assets	(27,900)	(48,669)
Allocation Transfer Reconciling Item, Parent Accounts (Note 23)	(406,972)	(347,611)
Other Resources That Did Not Affect Net Cost of Operations	(35,507)	(23,084)
Total Resources Used to Finance Items Not Part of the Net Cost of Operations	(372,713)	(1,108,212)
Total Resources Used to Finance the Net Cost of Operations	735,191	420,016
Components of the Net Cost of Operations That Did Not Require or Generate Resources in the Current Period:		
Components Requiring or Generating Resources in Future Periods:		
Increase in Annual Leave Liability	-	1,206
Increase in Environmental Cleanup Liability	-	1,628
Increase in Other Unfunded Liabilities	1,807	6,643
(Increase)/Decrease in Exchange Revenue Receivable from the Public	(724)	-
Total Components Requiring or Generating Resources in Future Periods	1,083	9,477
Components Not Requiring or Generating Resources:		
Depreciation and Amortization	15,659	22,872
Revaluation of Assets or Liabilities	(242)	(187)
Allocation Transfer Reconciling Item, Child Accounts (Note 23)	6,407	2,855
Bad Debt Expense	907	2,961
Total Components Not Requiring or Generating Resources	22,731	28,501
Total Components of the Net Cost of Operations That Did Not Require or Generate Resources in the Current Period	23,814	37,978
Net Cost of Operations	$ 759,005	$ 457,994

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Custodial Activity for the Fiscal Years Ended September 30, 2006 and 2005 (dollars in thousands)

	2006	2005
Mineral Lease Revenue:		
Rents and Bonuses	$241,133	$597,024
Total Revenue	$241,133	$597,024
Disposition of Revenue:		
Distribution to Department of the Interior:		
Minerals Management Service	$292,714	$610,078
Bureau of Reclamation	2,747	1,082
Distribution to Other Federal Agencies:		
Department of the Treasury	679	274
Distribution to States	2,135	1,382
Change in Untransferred Revenue	(57,142)	(15,792)
Total Disposition of Revenue	$241,133	$597,024

The accompanying notes are an integral part of these financial statements.

NOTES TO PRINCIPAL FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies

A. Reporting Entity

The Bureau of Land Management (BLM or Bureau), a bureau of the Department of the Interior (DOI or Department), was established on July 16, 1946, through the consolidation of the General Land Office and the Grazing Service in accordance with the provisions of Sections 402 and 403 of the President's Reorganization Plan No. 3 of 1946 (60 Stat. 1097). The BLM's functions are set forth in the Federal Land Policy and Management Act of 1976 (P.L. 94-579).

On March 12, 1996, the Department's Helium Operations were transferred from the U.S. Bureau of Mines to the BLM. This was done under the authority of Section 2 of Reorganization Plan No. 3 of 1950 (64 Stat. 1262), as amended. The helium production fund was established by the Helium Act (50 U.S.C. 10), enacted March 3, 1925, and amended by the Helium Act Amendments of 1960 (P.L. 86-777).

In fulfilling its mission, the BLM administers a variety of funds:

1. General Funds: These funds consist of expenditure accounts used to record financial transactions arising from Congressional appropriations as well as receipt accounts. The principal general fund expenditure accounts maintained are:

a. Management of Lands and Resources

b. Wildland Fire Management

c. Oregon and California Grant Lands

2. Special Funds: The BLM maintains both special fund receipt accounts and special fund expenditure accounts. Collections made into special fund expenditure accounts are available receipts and are considered to be the BLM's revenue. Collections made into special fund receipt accounts are earmarked by law for a specific purpose but are not generated from a continuing cycle of operations. Receipts are deposited as collected. Funds deposited into special fund receipt accounts typically arise from sales of public lands and materials, sales of timber, fees and commissions, mineral leases, and other charges for services provided by the BLM to users of the public lands. Amounts deposited into special fund receipt accounts are subject to various distribution formulas as specified by law.

3. Revolving Funds: This type of fund is used to finance and manage a continuous cycle of business-type operations. The BLM maintains a Working Capital Fund (WCF) as a single administrative unit established to finance and account for services and commodities furnished to various program activities. The WCF was established in 1978 under Section 306 of the Federal Land Policy and Management Act of 1976 (Public Law 94-579) with an initial investment of $2 million in appropriated funds. Since that time, additional equity has been provided through intragovernmental transfers or donations of inventories, capital equipment, and other assets. Transfers or donations are made without reimbursement to the donating activity. All additional income to the WCF has been generated through charges to the BLM's programs or other government agencies. The services provided by the WCF include motor vehicles, stores, a sign shop, a Departmental forms center, and the collection and disbursement of receipts from surface management of the Naval Oil Shale Reserve under an October 2, 1987, memorandum of understanding with the Department of Energy. In addition, the WCF provides funding for travel advances and change-making funds held by imprest fund cashiers.

In addition to the WCF, Helium Operations are funded through a public enterprise revolving fund. This fund was established with monies from the U.S. Treasury to manage the Federal helium program, which includes helium production, storage, conservation, and sales activities. Funding for current management of this program is provided by sales of helium. Helium production and refining were discontinued on April 1, 1998, pursuant to the Helium Privatization Act of 1996 (P.L. 104-273). However, crude helium storage and sales from the helium stockpile will continue through January 1, 2015.

4. Trust Funds: The BLM maintains two trust accounts to carry out specific programs under trust agreements and statutes. The Land and Resource Management Trust Fund contains monies contributed by non-Federal organizations for resource development, protection, and management; conveyance of lands omitted in original surveys; and public surveys requested by individuals. The Alaska Townsite Trustee Fund receives money from the sale of town lots to non-Natives and is available to cover the expenses involved in selling and maintaining town sites.

5. Deposit Funds: These funds are maintained to account for receipts awaiting proper classification or receipts held in escrow until ownership is established, at which time proper distribution can be made. Refer to Note 14.

B. Basis of Accounting and Presentation

These financial statements have been prepared to report the financial position, net cost of operations, changes in net position, budgetary resources, reconciliation of budgetary resources to net costs, and custodial activity of the BLM in accordance with the Chief Financial Officers Act of 1990 and the Government Management Reform Act of 1994. The financial statements have been prepared from the BLM's financial records in accordance with Generally Accepted Accounting Principles (GAAP) in the United States of America using guidance issued by the Federal Accounting Standards Advisory Board (FASAB) and the Office of Management and Budget (OMB); the BLM accounting policies that are summarized in this note have also been followed. These financial statements include all funds and accounts under the BLM's control, as well as allocations from other Federal agency appropriations transferred to the BLM under specific legislative authority.

OMB reporting guidelines require that all of the financial statements, and the related footnotes, be presented on a comparative basis, including balances and amounts for the current year and prior year. Certain prior year amounts have been reclassified to conform to the current-year presentation.

The accounting structure of Federal Government agencies is designed to reflect both accrual and budgetary accounting transactions. Under the accrual method of accounting, revenues are recognized when earned and expenses are recognized when incurred, without regard to the receipt or payment of cash. The budgetary accounting principles, on the other hand, are designed to recognize the obligation of funds according to legal requirements, which in many cases occurs before an accrual-based transaction takes place. The recognition of budgetary accounting transactions is essential for compliance with legal constraints and controls over the use of Federal funds.

Intragovernmental assets and liabilities arise from transactions with other Federal agencies. Except for the Statements of Budgetary Resources and portions of the Statements of Financing, all statements are presented on a consolidated basis and use eliminating entries to avoid overstatement of balances caused by intrabureau transactions. Significant intrabureau balances and transactions have been eliminated in consolidation.

The financial statements should be read with the realization that they are for a component of the United States Government, a sovereign entity. One implication of this is that liabilities cannot be liquidated without legislation that provides the resources and legal authority to do so.

C. Revenues and Other Financing Sources

The BLM receives most of the funding needed to support its programs through appropriations authorized by Congress. The Bureau receives annual and no-year appropriations that may be used, within statutory limits, for operating and capital expenditures. Additional amounts are obtained through reimbursements for services performed for other Federal agencies, state and local governments, and the private sector. These revenues may be used to offset the cost of producing products or furnishing services, and to recover overhead costs. Finally, the BLM receives imputed financing from the Office of Personnel Management (OPM) for current and future pension and retirement benefits paid by OPM on behalf of the BLM; the DOI for costs incurred by its Solicitor's Office; and the U.S. Department of the Treasury (Treasury) Judgment Fund for payment of any settlements resulting from litigation against the BLM.

Receipts either are available to the BLM for expenditure or are received by the BLM on behalf of others and then passed on to Treasury or distributed to other governmental agencies. Transfers of receipts to Treasury and others are reported on the accrual basis. That portion of the transfers that will not be disbursed until subsequent fiscal years is included in undistributed collections.

The Southern Nevada Public Land Management Act (SNPLMA), enacted in October 1998, authorizes the BLM to sell public land tracts that are interspersed with or adjacent to private land in the Las Vegas Valley. The BLM is authorized to invest 85 percent of the sales in interest-bearing Treasury securities, while 10 percent of the proceeds are forwarded to the Southern Nevada Water Authority and 5 percent to the State of Nevada's Education Fund. The revenues generated from the land sales and investments enable the BLM and other government entities to acquire environmentally sensitive lands and build or maintain trails, day-use areas, campgrounds, etc., to benefit public visitors.

Helium fund sales are authorized by Chapter 10 of Title 50 of the United States Code, enacted March 3, 1925, as amended by Public Law 86-777, dated September 13, 1960, entitled "Helium Act Amendments of 1960." Amounts accumulating in the fund in excess of amounts the Secretary deems necessary to carry out the Helium Act and contracts negotiated thereunder are paid to Treasury and credited against any amounts borrowed from Treasury.

The Helium Privatization Act of 1996 (Public Law 104-273), enacted October 9, 1996, directs the privatizing of the Department of the Interior's Federal Helium Refining Program. Under this law, Interior ceased producing, refining, and marketing refined helium as of April 1, 1998. However, Interior is authorized to store, transport, and withdraw crude helium and maintain and operate crude helium storage facilities in existence on the date of enactment. The Department may also enter into agreements with private parties for the recovery and disposal of helium on Federal lands and may grant leasehold rights to this helium. The sale of stockpile crude helium began in March of 2003 and will continue until January 1, 2015.

The helium fund is authorized to retain all receipts, which include, but are not limited to, the sale of inventory, penalties, interest, and administrative charges on past due receivables and proceeds from the sale of its assets. Fees, penalties, interest, and administrative charges are credited to a revenue account and are recorded as a financing source.

D. Fund Balance with Treasury and Cash

The BLM's receipts and disbursements are processed by Treasury. Fund Balance with Treasury includes appropriated, revolving, and trust funds that are available to pay current liabilities and finance authorized purchase commitments. Also included are various other receipt and expenditure funds. Cash balances held outside of Treasury are imprest funds. No cash is held in commercial bank accounts. Further details on Fund Balance with Treasury are contained in Note 3.

E. Investments

The BLM is authorized to invest in special non-marketable par value and market-based book entry Treasury securities. These securities include U.S. Treasury bills, notes, bonds, and one-day certificates that may be purchased and sold as necessary to meet operating needs and legislated requirements. The BLM invests in securities of the U.S. Treasury pursuant to authorizing legislation for three accounts: the proceeds of certain land sales as authorized by either the Southern Nevada Public Land Management Act enacted in October 1998, or the Lincoln County Land Act enacted in October 2000; and the proceeds of certain oil and gas lease sales authorized by the Alaska Native Claims Settlement Act and the Alaska National Interest Lands Conservation Act, as amended July 17, 2000. Note 4 provides investment details.

F. Accounts Receivable

Accounts receivable consist of amounts owed to the BLM by other Federal agencies and the public. Amounts due from the public are stated net of an allowance for uncollectible accounts that is based on an analysis of outstanding receivable balances and past collection experience. No allowance is established for intragovernmental receivables, as they are considered fully collectible from other Federal agencies. See Note 5 for additional information concerning accounts receivable.

G. Inventory, Gas and Storage Rights, and Stockpile Materials

The helium inventory is stored in a partially depleted natural gas reservoir and is valued at cost. The cost to purchase the helium was $12.058 per Mcf (one thousand standard cubic feet). The volume of helium is accounted for on a perpetual inventory basis. Each year, the amount of helium is verified by collecting reservoir data and using generally accepted petroleum engineering principles to calculate the volume. The calculated volumes support the volume carried in the inventory. At a reservoir abandonment pressure of 100 psia (pounds per square inch absolute), 85 percent of the helium reserve is deemed recoverable. The amount of helium that is eventually recovered will depend on the future price of helium and the ability to control the mixing of native gas and helium. The values shown for helium are net of the estimated unrecoverable amount, so no allowance is required. Gas and storage rights for the storage of helium are recorded at cost.

The Working Capital Fund inventory consists of items that will be consumed in future operations. This inventory is held for use in the BLM's resource management programs and is also maintained for sign construction, employee uniforms, and the DOI forms function. Inventory is stated at cost using the weighted average cost method.

Except for Helium Operations, which includes helium and natural gas, the BLM's inventory is not held for sale, nor is any of the inventory balance held in reserve for future use or sale. There is no excess, obsolete, or unserviceable inventory, nor is there any inventory held for repair. The BLM does not hold any other related property, including forfeited property, foreclosed property, seized property, commodities, or stockpile materials. Note 6 provides more information on the BLM's inventory and related property.

H. General Property, Plant, and Equipment

This category consists of land and land improvements; buildings; other structures and facilities; leasehold improvements; construction in progress; equipment and vehicles; and internal use software.

Statement of Federal Financial Accounting Standards (SFFAS) No. 6, *Accounting for Property, Plant, and Equipment*; SFFAS No. 8, *Supplementary Stewardship Reporting*; and SFFAS No. 29, *Heritage Assets and Stewardship Land* recommend different accounting treatments for different types of property, plant, and equipment (PP&E), and provide for a distinction between general PP&E and stewardship PP&E. The former are PP&E used to provide general government services or goods. The latter include stewardship land—all land held by the Federal government that is not acquired for or in connection with an item of general PP&E—and heritage assets, including PP&E that have historical or natural significance.

SFFAS No. 10, *Accounting for Internal Use Software*, provides accounting standards for internal use software utilized by each agency. Internal use software includes purchased commercial off-the-shelf software, contractor-developed software, and internally developed software using agency employees.

The standards provide for capitalized property to continue to be reported on the Balance Sheets. PP&E that are not capitalized—because they are under the capitalization threshold, or because they are stewardship PP&E—are expensed in the year of acquisition. The standards require a disclosure in the notes to the principal financial statements (see Note 9), as well as a separate stewardship report, to provide relevant information regarding stewardship PP&E. The stewardship report can be found following the section on Financial Statements.

Capitalized property and equipment are recorded as follows:

1. The Department established a Departmentwide capitalization threshold effective October 1, 2003. As a result, general PP&E real property is capitalized at cost if the aggregate cost of the building, structure, or facility is $100,000 or more. An administrative site may contain more than one building, structure, or facility, but it is always bounded by a defined perimeter or an established boundary.

   Acquired land associated with capitalized assets is recorded separately from the structures, facilities, and improvements. Structures such as buildings that are used by the BLM but administered by the General Services Administration or other Federal agencies are not recognized as BLM assets.

2. Leasehold improvements consist of costs incurred in building structures on land owned by third parties, subject to long-term lease arrangements. Facilities are capitalized at cost if the aggregate cost is $100,000 or more and the remaining term of the lease is 2 years or more.

3. Costs are accumulated in a construction-in-progress account for capitalized general PP&E under construction or being acquired in incremental stages until the property is completed or totally acquired. At that time, the property is transferred to the appropriate asset account(s).

4. Equipment and vehicles are capitalized at cost if the acquisition cost is $15,000 or more and the estimated useful life is 2 years or more.

5. Software is capitalized at cost if the acquisition cost is $100,000 or more and the estimated useful life is 2 years or more.

   Depreciation of general PP&E real property is based on a useful life of 15 to 30 years for land improvements, 30 years for buildings, and 20 years for structures. The salvage value of general PP&E real property is zero.

   Amortization of leasehold improvements is calculated based on the remaining term of the lease, with zero salvage value.

   Depreciation of WCF vehicles and heavy equipment is based on useful lives ranging from 2 to 20 years and a 20 to 60 percent salvage value.

   Depreciation of non-WCF equipment is based on useful lives of up to 20 years, with a salvage value of 10 to 20 percent.

   Amortization of software is based on a useful life of 5 years, with zero salvage value.

   Depreciation and amortization of all general property, plant, and equipment is calculated on the straight-line method.

   The basis for capitalization of donated property and equipment is the estimated fair market value.

   Information on general property, plant, and equipment values is found in Note 7.

I. Liabilities

Liabilities represent the amount of monies or other resources that are likely to be paid by the BLM as the result of transactions or events that have already occurred. However, no liability can be paid by the BLM absent an appropriation. Liabilities for which an

appropriation has not been enacted are, therefore, classified in these notes as liabilities not covered by budgetary resources, with no certainty that the appropriations will be enacted. See Note 10. In addition, BLM liabilities arising from sources other than contracts can be abrogated by the Government, acting in its sovereign capacity.

Accrued payroll and benefits represent salaries and benefits earned by employees but not yet paid at the close of the fiscal year. The portion of this liability representing accrued employer benefit and payroll tax expense payable to other governmental agencies is shown as an intragovernmental liability; the remainder is the amount owed to employees.

Undistributed collections are amounts held in unavailable special receipt funds at year-end. Amounts collected into these funds and reported as revenue are subject to distribution based on formulas specified in various authorizing pieces of legislation. The distributions occur at various times during the year or in subsequent years, in accordance with the terms of the legislation. The undistributed collections, which are principally due to Treasury, are considered a current liability.

Congress has established the Department of the Treasury Judgment Fund, a permanent, indefinite appropriation, to pay certain judicially and administratively ordered monetary awards against the United States. The Judgment Fund may also pay amounts owed under compromise agreements negotiated by the Department of Justice in settlement of claims arising under actual or imminent litigation. The Judgment Fund bills agencies for amounts paid under the Contract Disputes Act, while it pays other amounts without expectation of reimbursement. The BLM records a liability for the former and records an imputed cost and financing source for the latter. See Note 21 for further discussion of imputed amounts.

Debt to Treasury is a liability of the helium fund. Borrowings occurred at various dates. Amounts borrowed became due 25 years from the date the funds were borrowed and are now past due. The debt to Treasury was composed of two categories: net worth debt and additional borrowing from Treasury. Net worth debt was completely repaid in FY 2003; the only remaining principal due to Treasury is the additional borrowing from Treasury.

Net worth debt was the amount due for the net capital and retained earnings of the helium fund established under 50 U.S.C. 10, Section 164, enacted March 3, 1925 (prior to amendment by the Helium Act Amendments of 1960), as determined by the Secretary of the Interior as of September 13, 1960, plus any monies expended thereafter by the Department of the Interior from funds provided in the Supplemental Appropriation Act, 1959, for construction of a helium plant at Keyes, Oklahoma.

Additional borrowing from Treasury referred to funds borrowed under 50 U.S.C. 10, Section 167j, which authorized borrowings to acquire and construct helium plants and facilities and for other related purposes including the purchase of helium.

Interest on the helium debt that has not been repaid to Treasury is compounded. While the debt was current, interest was calculated annually at rates determined by the Secretary of the Treasury, taking into consideration the current average market yields of outstanding marketable obligations of the United States having maturities comparable to the investments authorized. The interest rate on the net capital and retained earnings was determined as of September 13, 1960, and the interest rate on additional borrowing was determined as of the time of each borrowing. The U.S. Treasury short-term borrowing rate was used to calculate the annual interest expense while the debt was past due. Since the passage of the Helium Privatization Act of 1996, Public Law 104-273, enacted October 9, 1996, no further interest expense has been incurred. The Act defines

the amount repayable to the United States as all funds required to be repaid as of October 1, 1995, with no further interest accruing on the debt.

Additional information on debt to Treasury appears in Note 11.

The Secure Rural Schools and Community Self Determination Act of 2000 was passed during FY 2001. The Act provides for increased payments to eligible states as compensation for the deprivation of revenue they would otherwise receive if BLM-owned lands were held in private ownership. Prior to this Act, payments to eligible states were based on a percentage of revenue that the BLM earned on these lands, which has been steadily decreasing. The difference between the new, increased payments and the prior legislated payments is compensated for by an appropriation from the Treasury General Fund. The BLM records an unfunded liability at each year-end for the amount to be appropriated in the following fiscal year for these payments.

Non-intragovernmental deferred revenue consists primarily of deposits received from prospective purchasers of land pursuant to the Southern Nevada Public Land Management Act. These deposits are classified as a liability until the sales are consummated.

J. Accrued Leave

Amounts associated with the payment of annual leave are accrued while leave is being earned by employees, and this accrual is reduced as leave is taken. Each year the balance in the accrued annual leave account is adjusted to reflect current pay rates. To the extent that current or prior year appropriations are not available to finance annual leave, future financing sources will be used.

An accrual is also provided for the amount that would be due under the Federal Insurance Contributions Act (FICA) related to this annual leave. See Note 12.

Sick leave and other types of leave are expensed as taken because they are nonvesting in nature.

K. Contingent Liabilities

The BLM is a party to various administrative proceedings, legal actions, environmental suits, and claims brought by or against it. Contingent liabilities are recorded in the accounting records when losses are determined to be probable and a reasonable estimate of the scope of the potential liability is available. In accordance with Federal accounting guidance, the liability for future cleanup of environmental hazards is "probable" only when the government is legally responsible for creating the hazard or is otherwise related to it in such a way that it is legally liable to clean up the contamination. Thus, expected future payments for the cleanup of environmental hazards caused by others are generally classified as government acknowledged, which means they are not recognized as liabilities by the BLM. Instead, any BLM payments related to these environmental hazards are recognized in the financial statements as remediation work is performed. Further information on contingent liabilities is found in Note 13.

L. Federal Employee Benefits - FECA Actuarial Liability

The Federal Employees' Compensation Act (FECA) provides income and medical cost protection to covered Federal civilian employees injured on the job, to employees who have incurred work-related occupational diseases, and to beneficiaries of employees whose deaths are attributable to job-related injuries or occupational diseases. The FECA program is administered by the Department of Labor (DOL).

The FECA actuarial liability is the estimated liability for future benefit payments

resulting from past events. This liability includes death, disability, medical, and miscellaneous costs. The DOL determines this component annually, using a method that considers historical benefit payment patterns, wage inflation factors, medical inflation factors, and other variables. The projected annual benefit payments are discounted to present value using OMB's economic assumptions for 10-year Treasury notes and bonds. To provide for the effects of inflation on the liability, wage inflation factors (i.e., cost of living adjustments) and medical inflation factors (i.e., consumer price index medical adjustments) are applied to the calculation of projected future benefit payments. These factors are also used to adjust historical benefit payments to current-year constant dollars. A discounting formula is also used to recognize the timing of benefit payments as 13 payments per year instead of one lump sum payment per year.

The DOL also evaluates the estimated projections to ensure that the estimated future benefit payments are appropriate. The analysis includes three tests: (1) a comparison of the current-year projections to the prior-year projections; (2) a comparison of the prior-year projected payments to the current-year actual payments, excluding any new case payments that had arisen during the current year; and (3) a comparison of the current-year actual payment data to the prior-year actual payment data. Based on the outcome of this analysis, adjustments may be made to the estimated future benefit payments.

M. Retirement Plan

The BLM's employees participate in one of two retirement programs, either the Civil Service Retirement System (CSRS) or the Federal Employees Retirement Systems (FERS), which became effective on January 1, 1987. Most employees hired after December 31, 1983, are automatically covered by FERS and Social Security. Employees hired prior to January 1, 1984, could elect to either join FERS and Social Security or remain in CSRS. Employees covered by CSRS are not subject to Social Security taxes, nor are they entitled to accrue Social Security benefits for wages subject to CSRS.

For FERS employees, the BLM contributes an amount equal to 1 percent of the employee's basic pay to the tax-deferred Thrift Savings Plan and matches employee contributions up to an additional 4 percent of pay. CSRS employees receive no matching contributions from the BLM. Both FERS and CSRS employees may contribute any dollar amount or percentage of their basic pay however, the annual dollar total cannot exceed the Internal Revenue Code limit, which is $15,000 for 2006.

The OPM is responsible for reporting assets, accumulated plan benefits, and unfunded liabilities applicable to CSRS participants and FERS employees governmentwide. The BLM has recognized an imputed cost and imputed financing source for the difference between the estimated service cost and the contributions made by the BLM and covered CSRS employees. Further information on imputed financing is available in Note 21.

N. Net Position

The components of Net Position are defined as follows:

1. Unexpended appropriations include undelivered orders and unobligated balances; the latter may include both available and unavailable amounts.

2. Cumulative results of operations are composed of (1) the difference between revenues and expenses, (2) the net amount of transfers of assets in and out without reimbursement, and (3) other financing sources, all since inception of the fund(s).

In accordance with SFFAS No.27, *Identifying and Reporting Earmarked Funds*, within each component there is an additional breakdown to identify earmarked funds from all other funds. Earmarked funds are financed by specifically identified revenues. These revenues are required by statute to be used for designated activities or purposes and must be accounted for separately from the Federal government's other funds. Further details on earmarked funds are contained in Note 16.

O. Budgetary Collections and Offsetting Receipts

The BLM's offsetting receipts are collections that are credited to general funds or special funds and that offset gross outlays. Unlike offsetting collections, which are credited to expenditure funds and offset outlays at the fund level, offsetting receipts are credited to receipt funds and offset outlays at the agency or governmentwide level. Offsetting receipts may be either distributed or undistributed to agencies. Distributed offsetting receipts offset the outlays of the BLM, while undistributed offsetting receipts offset governmentwide outlays.

P. Use of Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements, as well as the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 - Entity and Non-Entity Assets

Entity assets are those that the BLM has the authority to use in its operations and are considered unrestricted. Non-entity assets are currently held by, but not available to, the BLM and will be forwarded to Treasury, other Federal agencies, or the public at a future date. Non-entity assets are considered restricted.

September 30, 2006: (dollars in thousands)	Entity	Non-Entity	Total
Intragovernmental:			
Fund Balance with Treasury	$ 971,364	$229,108	$1,200,472
Investments, Net	2,322,249	39,271	2,361,520
Accounts Receivable	16,081	-	16,081
Other:			
Advances and Prepayments	718	-	718
Total Intragovernmental	3,310,412	268,379	3,578,791
Cash in Imprest Funds	54	-	54
Accounts Receivable, Net	8,754	1,816	10,570
Inventory and Related Property	279,425	-	279,425
General Property, Plant, and Equipment, Net	410,097	-	410,097
Other:			
Travel Advances	108	-	108
Total Assets	$4,008,850	$270,195	$4,279,045

September 30, 2005: (dollars in thousands)	Entity	Non-Entity	Total
Intragovernmental:			
Fund Balance with Treasury	$ 834,224	$230,311	$1,064,535
Investments, Net	1,712,719	37,084	1,749,803
Accounts Receivable	15,388	-	15,388
Other:			
Advances and Prepayments	1,277	-	1,277
Total Intragovernmental	2,563,608	267,395	2,831,003
Cash in Imprest Funds	56	-	56
Accounts Receivable, Net	8,802	1,565	10,367
Inventory and Related Property	304,378	-	304,378
General Property, Plant, and Equipment, Net	388,933	-	388,933
Other:			
Travel Advances	77	-	77
Total Assets	$3,265,854	$268,960	$3,534,814

Note 3 - Fund Balance with Treasury

U.S. Government cash is accounted for on an overall consolidated basis by Treasury. The amounts shown on the Balance Sheets represent the BLM's right to draw on Treasury for valid expenditures. The amounts consist of general fund receipt accounts, general fund expenditure accounts, special fund receipt accounts, special fund expenditure accounts, deposit funds, revolving funds, and trust funds. Refer to Note 1(A). The fund balance as shown on the BLM's records is reconciled monthly with Treasury's records.

Obligated and unobligated balances reported for the Status of Fund Balance with Treasury do not agree with obligated and unobligated balances reported on the Statement of Budgetary Resources because (1) the budgetary balances include amounts supported by other than Fund Balance with Treasury, such as investments and allocation transfers (providing agency), and (2) the Fund Balance with Treasury amounts include items for which budgetary resources are not recorded, such as deposit funds, unavailable collections, and allocation transfers (receiving agency).

Fund Balances: (dollars in thousands)	2006	2005
General Funds	$ 621,585	$ 583,934
Special Funds	372,834	242,344
Deposit Funds	89,841	121,491
Revolving Funds	86,824	90,201
Trust Funds	29,388	26,565
Total Fund Balance with Treasury	$1,200,472	$1,064,535

Status of Fund Balance with Treasury: (dollars in thousands)	2006	2005
Fund Balance with Treasury Covered by Budgetary Resources:		
Unobligated:		
Available	$ 491,472	$ 357,356
Unavailable	-	20
Obligated Balance Not Yet Disbursed	482,331	478,653
Total Fund Balance with Treasury Covered by Budgetary Resources	973,803	836,029
Fund Balance with Treasury Not Covered by Budgetary Resources:		
Unavailable Special Receipts	136,967	108,397
Clearing and Deposit Accounts	89,702	120,109
Total Fund Balance with Treasury Not Covered by Budgetary Resources	226,669	228,506
Total Fund Balance with Treasury	$1,200,472	$1,064,535

Additional discussion of Fund Balance with Treasury is presented in Note 1(D).

Note 4—Investments, Net

Investments consist of U.S. Treasury Bills that mature within six months and U.S. Treasury Notes that mature within two years. Amounts shown on the Balance Sheets are at cost, net of discounts and premiums that are amortized using the effective interest method. Additionally, accrued interest receivable is included in the net investment amount. All of the BLM's investments consist of non-marketable market-based Treasury securities.

(dollars in thousands)	2006	2005
Cost	$2,332,347	$1,734,975
Amortized (Premiums) and Discounts, Net	25,503	10,791
Net Book Value	2,357,850	1,745,766
Accrued Interest	3,670	4,037
Investments, Net	$2,361,520	$1,749,803

The market value of investments was $2,357,290 as of September 30, 2006, and $1,739,828 as of September 30, 2005. Additional information regarding investments may be found in Note 1(E).

Note 5 - Accounts Receivable, Net

The reported amount for accounts receivable consists of amounts owed to the BLM by other Federal agencies (intragovernmental), or by the public. All of the BLM's intragovernmental accounts receivable consist of amounts that have not yet been billed. Accounts receivable from the public are summarized in the following table.

(dollars in thousands)	2006	2005
Accounts Receivable from the Public:		
Billed:		
Current	$ 7,745	$ 7,020
1-180 Days Past Due	2,228	1,630
181-365 Days Past Due	653	766
1 to 2 Years Past Due	855	712
Over 2 Years Past Due	188	258
Total Billed Accounts Receivable	11,669	10,386
Unbilled Accounts Receivable	404	750
Total Accounts Receivable	12,073	11,136
Allowance for Uncollectible Accounts	(1,503)	(769)
Accounts Receivable from the Public, Net	$10,570	$10,367

See Note 1(F) for additional discussion regarding accounts receivable.

Note 6 - Inventory and Related Property

(dollars in thousands)	2006	2005
Stockpile Materials:		
Recoverable Below-Ground Crude Helium:		
Held for Sale	$271,065	$295,782
Held in Reserve	7,235	7,235
Inventory:		
Gas and Storage Rights, Held for Sale	926	1,055
Operating Materials: Working Capital Fund Inventory, Held for Use	199	306
Total Inventory and Related Property	$279,425	$304,378

The recoverable below-ground crude helium, held for sale, current amount, as of September 30, 2006 was $25,321,800 and the future amount was $245,743,184. Valuation methods and other information regarding inventories are presented in Note 1(G).

Note 7 - General Property, Plant, and Equipment, Net

September 30, 2006: (dollars in thousands)	Acquisition Cost	Accumulated Depreciation	Net Book Value
Land and Land Improvements	$114,356	$ (40,922)	$ 73,434
Buildings	196,710	(71,840)	124,870
Other Structures and Facilities	43,224	(28,979)	14,245
Leasehold Improvements	5,769	(960)	4,809
Construction in Progress	45,388	-	45,388
Equipment and Vehicles	265,405	(129,516)	135,889
Internal Use Software:			
In Use	13,846	(5,260)	8,586
In Development	2,876	-	2,876
Total	$687,574	$(277,477)	$410,097

September 30, 2005: (dollars in thousands)	Acquisition Cost	Accumulated Depreciation	Net Book Value
Land and Land Improvements	$ 94,766	$ (37,622)	$ 57,144
Buildings	178,475	(66,775)	111,700
Other Structures and Facilities	41,595	(28,003)	13,592
Leasehold Improvements	6,270	(798)	5,472
Construction in Progress	52,565	-	52,565
Equipment and Vehicles	263,387	(126,603)	136,784
Internal Use Software:			
In Use	8,471	(4,317)	4,154
In Development	7,522	-	7,522
Total	$653,051	$(264,118)	$388,933

Capitalization criteria and other information regarding property, plant, and equipment are discussed in Note 1(H).

Note 8 - Total Assets

For financial reporting purposes, the BLM has not recognized the value of negotiable securities or certificates of deposit pledged to guarantee performance of contracts. These instruments are accepted in lieu of bond coverage in the following programs: solid or fluid energy minerals extraction (oil, gas, coal, etc.), rights-of-way on the public or other lands, and certain contracts (performance bonds). Interest earned is paid to the owner of the security or certificate of deposit and is not available to the BLM. At September 30, 2006, the value of these securities was $10 million; at September 30, 2005, the value was $102 million. Since these instruments are not available to the BLM unless a customer defaults on an agreement, they are not recognized as BLM's assets or liabilities.

Note 9 - Stewardship Land and Heritage Assets

The BLM implemented the provisions of SFFAS No. 29, Heritage Assets and Stewardship Land, effective July 7, 2005. It is the mission of the BLM to sustain the health, diversity, and productivity of the public lands for the use and enjoyment of present and future generations. These public lands are all stewardship lands, the management of the resources related to the land is the essence of the BLM's mission. The BLM has stewardship responsibility for the multiple-use management of natural resources on and beneath America's public lands as legislated through the Federal Land Policy and Management Act (FLPMA) of 1976 (43 U.S.C. 1701 et seq., Public Law 94-579, Sec.103(e)). Guided by the principles of multiple use and sustained yield, the BLM manages all of its public lands including natural heritage assets for one or more of its stated multiple uses.

The BLM also has oversight authority over collectible and noncollectible cultural heritage assets that are located on the public lands. These noncollectible heritage assets have been Presidentially, Congressionally, or Secretarially designated. The BLM also reports on museum collections housed in both Interior and non-Interior facilities that contain items originating from the public lands.

The overarching goals and principles by which the public lands are managed are contained in FLPMA, which provides the basis for planning and managing the uses of resources on the public lands for the American people. In Sec. 102, FLPMA declares that the policy of the United States is as follows:

- Goals and objectives be established by law as guidelines for public land use planning, and that management be on the basis of multiple use and sustained yield unless otherwise specified by law . . . ;

- The public lands be managed in a manner that will protect the quality of scientific, scenic, historical, ecological, environmental, air and atmospheric, water resources, and archeological values; that, where appropriate, will preserve and protect certain public lands in their natural condition; that will provide food and habitat for fish and wildlife and domestic animals; and that will provide for outdoor recreation and human occupancy and use . . . ;

- The public lands be managed in a manner which recognizes the Nation's need for domestic sources of minerals, food, timber, and fiber from the public lands including implementation of the Mining and Minerals Policy Act of 1970 . . . as it pertains to the public lands . . . .

There are many other laws and Executive Orders that provide guidance on how specific

uses are managed (refer to Table 2 in the Stewardship Lands and Heritage Assets Report section of this report). The BLM develops policy and guidance based on the above-referenced laws and Executive Orders, and reviews the adequacy of policy through Program Evaluations, Technical Reviews, and General Management Evaluations. These evaluations and reviews are performed to ensure that the BLM at all levels (Field Office, State Office, and National Office) is operating in compliance with law, regulation, and policy. Evaluations also allow the BLM to identify where policy needs to be amended to achieve the intended purposes of those laws.

The BLM carries out these laws and regulations at the administrative management areas within each of the BLM's broadly defined "states." These areas are the management level units at which specific land use plans are developed and implemented to manage the land and its resources for both present and future periods.

Note 10 - Liabilities Covered or Not Covered by Budgetary Resources

Liabilities covered by budgetary resources and liabilities not covered by budgetary resources are combined in the Balance Sheets presentation. Liabilities covered by budgetary resources are liabilities to be paid with existing appropriation authority. Liabilities not covered by budgetary resources represent those liabilities for which Congressional action is needed before budgetary resources can be provided. Current liabilities are expected to be liquidated during the subsequent fiscal year. Additional information regarding liabilities may be found in Note 1(I).

The Liabilities Not Covered by Budgetary Resources sections in the following tables do not necessarily correlate to the increase in certain unfunded liabilities in the Components Requiring or Generating Resources in Future Years section of the Statements of Financing. The Components Requiring or Generating Resources in Future Years section of the Statements of Financing only includes increases in certain unfunded liabilities; the decreases are included in the Resources Used to Finance Items Not Part of the Net Cost of Operations section of the Statements. Additionally, some liabilities not covered by budgetary resources are not included in the Consolidated Statements of Financing as they have no budgetary accounting impact nor do they affect the net cost of operations.

Note 10 - Liabilities Covered or Not Covered by Budgetary Resources

September 30, 2006: (dollars in thousands)	Covered by Budgetary Resources Current	Covered by Budgetary Resources Non-Current	Not Covered by Budgetary Resources Current	Not Covered by Budgetary Resources Non-Current	Total
Intragovernmental:					
Accounts Payable	$ 48,387	$ -	$ -	$ -	$ 48,387
Debt to Treasury	50,000	864,204	-	-	914,204
Other:					
Accrued Payroll and Benefits	3,305	-	-	-	3,305
Custodial Liabilities	-	-	279	-	279
Undistributed Collections	-	-	108,989	-	108,989
Deferred Revenue	7,530	-	-	-	7,530
Unfunded Payroll Liabilities	-	-	7,478	15,604	23,082
Due to Treasury Judgment Fund	-	-	-	12,253	12,253
Total Intragovernmental	109,222	864,204	116,746	27,857	1,118,029
Accounts Payable	36,353	-	-	-	36,353
Environmental and Disposal Liabilities	-	60	-	1,661	1,721
Federal Employee Benefits - FECA Actuarial Liability	-	-	-	94,915	94,915
Other:					
Accrued Payroll and Benefits	30,307	-	-	-	30,307
Custodial Liabilities	-	-	162	-	162
Secure Rural Schools Act Payable	-	-	106,719	-	106,719
Deposit Funds	-	-	131,401	-	131,401
Deferred Revenue	1,802	-	-	-	1,802
Unfunded Annual Leave	-	-	-	56,695	56,695
Contingent Liabilities	-	-	-	2,465	2,465
Total Liabilities	$177,684	$864,264	$355,028	$183,593	$1,580,569

September 30, 2005: (dollars in thousands)	Covered by Budgetary Resources Current	Covered by Budgetary Resources Non-Current	Not Covered by Budgetary Resources Current	Not Covered by Budgetary Resources Non-Current	Total
Intragovernmental:					
Accounts Payable	$ 38,981	$ -	$ -	$ -	$ 38,981
Debt to Treasury	50,000	1,024,204	-	-	1,074,204
Other:					
Accrued Payroll and Benefits	3,208	-	-	-	3,208
Custodial Liabilities	-	-	57,519	-	57,519
Undistributed Collections	-	-	93,802	-	93,802
Deferred Revenue	9,949	-	-	-	9,949
Unfunded Payroll Liabilities	-	-	7,200	14,929	22,129
Due to Treasury Judgment Fund	-	-	-	12,253	12,253
Total Intragovernmental	102,138	1,024,204	158,521	27,182	1,312,045
Accounts Payable	37,365	-	-	-	37,365
Environmental and Disposal Liabilities	-	1,540	-	1,951	3,491
Federal Employees Benefits – FECA Actuarial Liability	-	-	-	94,971	94,971
Other:					
Accrued Payroll and Benefits	29,466	-	-	-	29,466
Custodial Liabilities	-	-	65	-	65
Secure Rural Schools Act Payable	-	-	106,810	-	106,810
Deposit Funds	-	-	102,889	-	102,889
Unfunded Annual Leave	-	-	-	57,466	57,466
Contingent Liabilities	-	-	-	1,465	1,465
Total Liabilities	$168,969	$1,025,744	$368,285	$183,035	$1,746,033

Note 11 - Debt to Treasury

The helium fund's debt to Treasury is as follows:

(dollars in thousands)	2006	2005
Principal	$ 251,650	$ 251,650
Interest:		
Balance, Beginning of Year	822,554	887,554
Repayments	(160,000)	(65,000)
Balance, End of Year	662,554	822,554
Total Debt to Treasury	$914,204	$1,074,204

The sale of helium began in March 2003 and will continue until January 1, 2015. These sales have significantly increased the BLM's helium fund revenue. Given this increased revenue, the BLM is planning to repay at least $50 million each year, with exact amounts depending on annual revenues collected. The repayments will continue until the debt is repaid or until the helium sales cease, in which case the repayment plan may be revised.

Refer to Note 1(I) for additional information about debt to Treasury.

Note 12 - Intragovernmental Unfunded Payroll Liabilities

Liabilities for workers' compensation and unemployment compensation are amounts that will be paid to the Department of Labor, when billed, through the Department of the Interior's Office of the Secretary. An accrual is also provided for the amount which would be due under the Federal Insurance Contributions Act (FICA) related to unfunded annual leave. See Note 1(J).

(dollars in thousands)	2006	2005
Workers' Compensation Payable	$18,696	$18,000
Unemployment Compensation Payable	1,417	1,312
Accrued FICA on Unfunded Annual Leave	2,969	2,817
Total Intragovernmental Unfunded Payroll Liabilities	$23,082	$22,129

Note 13 - Environmental and Disposal Liabilities and Other Contingent Liabilities

Environmental and Disposal. The Comprehensive Environmental Response, Compensation, and Liability Act of 1980; the Clean Water Act; and the Resource Conservation and Recovery Act require Federal agencies to identify sites where (1) hazardous substances have been released or (2) hazardous wastes are or have been stored, treated, or disposed of. These Acts also require responsible parties, including Federal agencies, to clean up releases of hazardous substances and to manage hazardous wastes.

The BLM faces major challenges in cleaning up hazardous substance releases on the public lands. Virtually all of these releases arise from non-BLM uses of the lands, such as illegal dumping, transportation spills, landfills, mineral development operations, pipelines, and airports. Significant portions of the costs of cleanup will be incurred by, or recovered from, responsible parties external to the BLM.

The BLM typically has a number of time-critical removal actions in progress as of the end of the fiscal year that will require future funding. This type of action is usually mitigated using only a preliminary engineering study and, generally, no viable responsible party is found, which results in the BLM bearing the expense.

Larger sites require one or more studies to determine the scope of the contamination and the cleanup strategy and techniques. Cleanup costs cannot be estimated until these studies are completed. Several cleanup options are generally suggested, along with the approximate range of cost of each, and BLM management determines the most appropriate course of action.

For these larger sites, commensurately greater efforts are made to identify and locate potentially responsible parties who can be held liable for the cost of the studies and cleanup. Litigation or enforcement is usually required to obtain payment or cleanup from potentially responsible parties.

The BLM has recognized an estimated liability of $1.7 million and $3.5 million for FY 2006 and FY 2005, respectively, for sites where the BLM either caused contamination or is otherwise involved in such a way that it may be legally liable for some portion of the cleanup, and the environmental cleanup liability is probable and reasonably estimable. These estimates include the expected future cleanup costs and, for those sites where future liability is unknown, the cost of a study necessary to evaluate cleanup requirements.

In accordance with Federal accounting guidance, if an estimated liability is a range of amounts and no amount within the range is a better estimate than any other amount, the minimum amount in the range is recognized. The amounts recognized in the previous paragraph are the minimum amounts within the range noted for these estimated liabilities. The upper limits on the ranges of these liabilities are $3.5 million and $7.4 million for FY 2006 and FY 2005, respectively.

In addition to the limited number of cases discussed above where the BLM may be involved, other hazardous conditions exist on public lands for which the BLM might fund cleanup. Those cases where the BLM has at least a reasonable possibility of incurring a liability, but where the liability does not meet the criteria to be recognized, range from $99.9 million to $250.8 million for FY 2006 and $22.9 million to $61.7 million for FY 2005.

Judgments and Claims. The BLM is a party to a number of lawsuits where the plaintiff is seeking monetary damages. The lawsuits can involve a variety of issues, including lost revenues when timber contracts are suspended because of environmental issues, injuries or death that occur on BLM-managed land or

roads, issues regarding takings and suspension of mining claims, and other issues. In the opinion of the BLM's management and legal counsel, a reasonable estimate of the potential outcome or liability of most of these claims cannot be made. The resultant outcomes will not materially affect BLM's future financial condition. The U.S. Treasury's Judgment Fund would likely bear most of the costs incurred to pay any judgments or settlements.

At the end of FY 2006, ten cases which were probable had reasonably estimable liabilities of $2.5 million; at the end of FY 2005 there were eight cases totaling $1.5 million. These liabilities have been accrued in the accompanying financial statements as of September 30, 2006, and September 30, 2005.

In accordance with Federal accounting guidance, if an estimated liability is a range of amounts and no amount within the range is a better estimate than any other amount, the minimum amount in the range is recognized. The amounts recognized in the previous paragraph are the minimum amounts within the range noted for these estimated liabilities. The upper limits on the ranges of these liabilities are $3.1 million and $1.7 million for FY 2006 and FY 2005, respectively.

In addition to these probable cases, at the end of FY 2006 there were 29 other cases where the likelihood of an outcome unfavorable to the BLM was reasonably possible. Of these 29 cases, those with reasonably estimable liabilities ranged from $70,000 to $911.6 million. At the end of FY 2005 there were 20 such cases ranging from $70,000 to $909.1 million.

Additional discussion of contingent liabilities is presented in Note 1(K).

The accrued and potential environmental cleanup costs and contingent liabilities as of September 30, 2006 and 2005, are summarized in the following table:

September 30,2006 (dollars in thousands)	Accrued Liabilities	Total Range of Potential Liabilities: Lower End of Range	Upper End of Range
Environmental and Disposal Liabilities:			
Probable	$1,721	$ 1,721	$ 3,481
Reasonably Possible	-	99,939	250,776
Contingent Liabilities:			
Probable	2,465	2,465	3,080
Reasonably Possible	-	70	911,567

September 30,2005 (dollars in thousands)	Accrued Liabilities	Total Range of Potential Liabilities: Lower End of Range	Upper End of Range
Environmental and Disposal Liabilities:			
Probable	$3,491	$ 3,491	$ 7,441
Reasonably Possible	-	22,940	61,735
Contingent Liabilities:			
Probable	1,465	1,465	1,680
Reasonably Possible	-	70	909,091

Note 14 - Deposit Funds

The BLM processes collections from various sources for activities related to public land administration. These collections include mining claim fees, natural resource sales, and various other fees and payments. These amounts are held as deposits pending adjudication, resolution, or further classification. Deposit funds are considered a current liability.

Oil and Gas Leases consist primarily of lease deposits awaiting adjudication, but they can also include lease security deposits. Alaska Mineral Leases consist of money for the Kuukpik Village Corporation and interest on the investment of those funds. Mining and Other Mineral Materials include locatable minerals, leasable minerals, coal, and various leasing fees. Lands and Realty Management includes, but is not limited to, land sales, leases, timber sales, and vegetative material sales. Other includes overpayments waiting for refund, declining deposit accounts, recreation, geothermal leases, and all other miscellaneous categories.

The BLM, on behalf of the Minerals Management Service (MMS), collects first-year rent and bonus deposits on lease agreements related to oil and gas, coal, and other leasable minerals. The BLM also collects lease security deposits related to this activity. These deposits are recorded not as revenue but as liabilities. Once the adjudication process is completed, the deposits are either refunded, or they are combined with additional receipts (which represents custodial activity) and transferred to the MMS. Lease security deposits are generally returned to the lessor upon the expiration of a lease. However, in certain circumstances, particularly if contamination cleanup is necessary, the BLM will keep a portion of the security deposit and record it as revenue.

(dollars in thousands)	2006	2005
Oil and Gas Leases	$ 68,499	$ 39,096
Alaska Mineral Leases	39,272	37,084
Mining and Other Mineral Materials	13,958	19,650
Lands and Realty Management	9,511	6,553
Other	161	506
Total Deposit Funds	$131,401	$102,889

Note 15 - Leases

The BLM has operating leases for various types of space (real property) acquired through the General Services Administration (GSA) and directly from commercial sources, as well as operating leases for vehicles and miscellaneous equipment (personal property).

GSA charges rent that is intended to approximate commercial rental rates. For federally owned property, the Bureau generally does not execute an agreement with GSA, nor is there a formal expiration date. These leases typically have terms up to 20 years, and most contain provisions for cancellation prior to the full term of the lease. GSA space leases are cancellable with 120 days notice. The Bureau is normally required to give notice to vacate, and the amount of these leases remains constant from year to year.

For non-federally owned property, an occupancy agreement is executed, and again the Bureau may normally cancel these agreements with 120 days notice.

Both the *Federal and Non-Federal Real Property* amounts for 2007 are based on the actual annual rent for all property within these categories. For 2008 and subsequent years, the amounts are inflated each year at 2.4 percent over the previous year. As leases expire, they are not included in the following years' calculations.

Government vehicle and equipment rentals are included in personal property. Government

vehicles are leased from GSA for indefinite periods of time, frequently exceeding one year. For 2007 through 2011, the amounts are inflated at 2.4 percent over the previous year. The Thereafter amounts are indeterminable through this process.

The aggregate of the Bureau's estimated real property rent payments to GSA for FY 2007 through FY 2011 and future years and the Bureau's future payments due to other parties under operating leases for real property and personal property is as follows:

Fiscal Year Ending September 30: (dollars in thousands)	Real Property		Personal Property		
	Federal	Non-Federal	Federal	Non-Federal	Total
2007	$18,729	$ 19,102	$11,961	$ 2,990	$ 52,782
2008	14,976	16,183	12,248	3,062	46,469
2009	14,937	15,919	12,542	3,135	46,533
2010	13,404	15,327	12,843	3,211	44,785
2011	13,658	14,403	13,151	3,288	44,500
Thereafter	23,567	94,907	-	-	118,474
Total Future Lease Payments	$99,271	$175,841	$62,745	$15,686	$353,543

Note 16 - Earmarked Funds

The BLM implemented the provisions of SFFAS No. 27, *Identifying and Reporting Earmarked Funds*, effective October 1, 2005. Earmarked funds are specifically identified nonexchange revenues and other financing sources, including appropriations, and net cost of operations, required by statute to be used for designated activities, benefits, or purposes, and must be accounted for separately from the Government's general revenues. These funds are reported separately on the Consolidated Balance Sheet and on the Consolidated Statement of Changes in Net Position.

The BLM is responsible for the management of 30 earmarked funds with a variety of purposes. The 5 funds presented on an individual basis within the following table represent the majority of the BLM's activity within its earmarked funds with assets totaling $2.8 billion. The other 25 earmarked funds with assets totaling $178 million have been aggregated in accordance with SFFAS No. 27, *Identifying and Reporting Earmarked Funds.*

The BLM was not required to and did not apply the new requirements of SFFAS No. 27 to the fiscal year 2005 Consolidated Balance Sheet, Consolidated Statement of Changes in Net Position, and Earmarked Funds note disclosure. The SFFAS was implemented effective October 1, 2005. These specific statements and disclosure are not comparable to the fiscal year 2006 Consolidated Balance Sheet, Consolidated Statement of Changes in Net Position, and Earmarked Funds note disclosure.

Investments in Treasury Securities. The BLM invests funds in securities in the Southern Nevada Public Land Management Act and the Lincoln County Land Act. The BLM does not set aside assets to pay future expenditures associated with earmarked funds. The cash generated from earmarked funds is used by the U.S. Treasury for general government purposes. Treasury securities issued to the earmarked funds are an asset to the earmarked funds

and are presented as Investments. The U.S. Treasury will finance any future redemption of the securities by an earmarked fund in the same manner that all other government expenditures are financed.

Southern Nevada Public Land Management Act (SNPLMA). SNPLMA, enacted in October 1998, authorizes the BLM to sell public land tracts that are interspersed with or adjacent to private land in the Las Vegas Valley. The BLM is authorized to invest 85 percent of the sales in interest-bearing Treasury securities, while 10 percent of the proceeds are distributed to the Southern Nevada Water Authority and 5 percent to the State of Nevada's Education Fund. The revenues generated from the land sales and investments enable the BLM and other government entities to acquire environmentally sensitive lands and build or maintain trails, day-use areas, campgrounds, etc., to benefit public land visitors.

Helium Management. Helium fund sales are authorized by Chapter 10 of Title 50 of the United States Code, enacted March 1925, as amended by Public Law 86-777, dated September 13, 1960. The Helium Privatization Act of 1996 directed the Department of the Interior to cease producing, refining, and marketing helium. However, the Department is authorized to store, transport, and withdraw crude helium and maintain and operate crude helium storage facilities. The helium fund is also authorized to retain all receipts, however amounts accumulated in excess of amounts the Secretary, Department of the Interior, deems necessary to carry out the Helium Act are paid to the Treasury and credited against any amounts borrowed from the Treasury.

Federal Land Transaction Facilitation Act (FLTFA). FLTFA, enacted July 2000, authorizes the BLM to sell or exchange specific public lands. Receipts are used for the purchase of lands adjacent to federally designated areas. Not less than 80 percent of the amounts from the sales must be expended within the state in which the funds were generated. The remaining 20 percent may be used by the Secretary for administrative and other expenses necessary to carry out the program.

Naval Oil Shale Reserve Restoration. The Naval Oil Shale Reserve Restoration, enacted December 2002, authorizes the BLM to lease public land for the purpose of exploration for, and development and production of, petroleum located on public lands. Receipts are used for reimbursement of environmental restoration, waste management, and environmental compliance costs incurred by the United States.

Lincoln County Conservation, Recreation, and Development Act. The Lincoln County Land Act, enacted November 2004, authorizes the BLM to sell specific tracts of land in Lincoln County, Nevada. The BLM is authorized to invest 85 percent of the sales in interest-bearing Treasury securities, while 10 percent of the proceeds are distributed to Lincoln County for support of their schools and 5 percent to the State of Nevada's Education Fund.

Earmarked Funds Note

(in thousands)	Southern Nevada Public Land Management Act	Helium Management
Assets:		
Fund Balance with Treasury	$ 673	$ 21,023
Investments, Net	2,277,571	-
Accounts Receivable, Net	-	6,072
General Property, Plant, and Equipment, Net	9,386	2,220
Inventory	-	279,227
Total Assets	$2,287,630	$ 308,542
Liabilities:		
Accounts Payable	$ 24,630	$ 748
Debt to Treasury	-	914,204
Other Liabilities	1,889	628
Total Liabilities	26,519	915,580
Net Position:		
Unexpended Appropriations	-	-
Cumulative Results of Operations	2,261,111	(607,038)
Total Net Position	2,261,111	(607,038)
Total Liabilities and Net Position	$2,287,630	$ 308,542
COST/REVENUE		
Gross Costs	$ 42,233	$ 50,011
Earned Revenue	(745,529)	(169,197)
NET COST OF OPERATIONS	(703,296)	(119,186)
NET POSITION		
Net Position, Beginning Balance	$1,657,537	$ (731,194)
Change in Accounting Principle (Note 20)	-	-
Net Position, Beginning Balance, As Adjusted	1,657,537	(731,194)
Appropriations Received	-	-
Royalties Retained	-	-
Transfers In/(Out) without Reimbursement	(100,097)	4,420
Imputed Financing from Costs Absorbed by Others	375	564
Other Budgetary Financing Sources	-	(14)
Net Cost of Operations	703,296	119,186
Change in Net Position	603,574	124,156
NET POSITION, ENDING BALANCE	$2,261,111	$ (607,038)

Federal Land Transaction Facilitation Act	Naval Oil Shale Reserve Restoration	Lincoln County Land Act	Other Earmarked Funds	FY 2006
$86,159	$63,564	$ 54	$176,228	$ 347,701
-	-	44,678	-	2,322,249
-	-	-	1,812	7,884
-	-	-	-	11,606
-	-	-	-	279,227
$86,159	$63,564	$44,732	$178,040	$2,968,667
$ -	$ 1	$ -	$ 635	$ 26,014
-	-	-	-	914,204
30	56,890	1	113,981	173,419
30	56,891	1	114,616	1,113,637
-		-	6,268	6,268
86,129	6,673	44,731	57,156	1,848,762
86,129	6,673	44,731	63,424	1,855,030
$86,159	$63,564	$44,732	$178,040	$2,968,667
$ 1,176	$ 89	$ 47	$349,287	$ 442,843
-	-	(1,903)	(180,081)	(1,096,710)
1,176	89	(1,856)	169,206	(653,867)
$28,655	$ 421	$42,921	$22,338	$1,020,678
-	-	-	(2,765)	(2,765)
28,655	421	42,921	19,573	1,017,913
-	-	-	105,974	105,974
-	27,674	-	40,935	68,609
58,580	(21,337)	(49)	61,244	2,761
70	4	3	4,900	5,916
-	-	-	4	(10)
(1,176)	(89)	1,856	(169,206)	653,867
57,474	6,252	1,810	43,851	837,117
$86,129	$ 6,673	$44,731	$ 63,424	$1,855,030

Note 17 - Total Cost

Total cost as reported in the Consolidated Statements of Net Cost is detailed as follows:

(dollars in thousands)	2006	2005
Personnel Services and Benefits	$ 996,986	$ 962,727
Contractual Services	408,696	387,515
Contributions to States	330,722	474,316
Supplies, Materials, and Nondepreciable Assets	117,633	85,562
Travel and Transportation	76,179	64,901
Rental, Communication and Utilities	74,833	70,779
Depreciation	30,347	30,864
Cost of Goods Sold	25,053	17,058
Stewardship Asset Costs	21,840	67,210
Settlement of Claims	10,387	11,187
Printing and Reproduction	3,626	2,981
Heritage Asset Costs	1,617	2,457
Bad Debt Expense	907	2,961
Loss on Disposition of Assets, Net	243	187
Interest Expense	47	35
Change in Unfunded Liabilities:		
Contingent Liabilities	1,000	(2,185)
Workers' Compensation	696	(279)
FICA on Unfunded Annual Leave	152	10
Unemployment Compensation	105	181
Treasury Judgment Fund	-	29
Federal Employee Benefits - FECA Actuarial Liability	(57)	4,464
Environmental and Disposal	(290)	1,628
Unfunded Annual Leave	(771)	1,206
Total Cost	$2,099,951	$2,185,794

Note 18 - Net Cost of Operations by Responsibility Segment

Statement of Federal Financial Accounting Standards No. 4, *Managerial Cost Accounting Concepts and Standards for the Federal Government*, requires agencies to report the full cost of programs, activities, and outputs. This standard includes requirements for accumulating and reporting costs on a regular basis for management use, establishing responsibility segments to match costs with outputs, determining the full cost of government goods and services, recognizing the costs of services provided between agencies within the government, and using appropriate costing methodologies to accumulate and assign costs to outputs.

In FY 1998, the BLM selected Activity Based Costing (ABC) as the agency's methodology to accumulate cost data for effective management use and to assign costs to outputs. The accumulated cost data is aggregated by program activity to reflect the following four Departmental Government Performance and Results Act (GPRA) Mission Areas:

Resource Protection – Protect the Nation's natural, cultural, and heritage resources.

Resource Use – Manage resources to promote responsible use and sustain a dynamic economy.

Recreation – Provide recreation opportunities for America.

Serving Communities – Safeguard lives, property, and assets, advance scientific knowledge, and improve the quality of life for communities we serve.

Direct costs are reported under the appropriate GPRA program activity, while administrative costs and various indirect costs are allocated to program activities in a manner appropriate for each type of cost.

In addition to reporting costs and revenue by the Departmental GPRA Mission Areas, the BLM aggregates program costs and revenue by responsibility segment. These responsibility segments closely correspond with the Bureau's programs as set forth in the Budget of the United States Government.

The tables on the following pages present the BLM's net cost of operations by responsibility segment and GPRA Mission Area.

Consolidated Statement of Net Cost of Operations for the Fiscal Year Ended September 30, 2006

(dollars in thousands)	Management of Lands and Resources	Wildland Fire Management	Miscellaneous Permanent Payment Accounts
Resource Protection			
Intragovernmental Cost	$ 55,285	$ 19,777	$ 278
Public Cost	167,115	67,489	3,189
Total Cost	222,400	87,266	3,467
Intragovernmental Earned Revenue	8,472	431	1,902
Public Earned Revenue	-	26	-
Total Earned Revenue	8,472	457	1,902
Net Cost /(Revenue)	213,928	86,809	1,565
Resource Use			
Intragovernmental Cost	65,412	770	160
Public Cost	169,373	4,115	829
Total Cost	234,785	4,885	989
Intragovernmental Earned Revenue	1,372	-	-
Public Earned Revenue	54,762	-	15,158
Total Earned Revenue	56,134	-	15,158
Net Cost /(Revenue)	178,651	4,885	(14,169)
Recreation			
Intragovernmental Cost	22,369	2,050	62
Public Cost	71,896	3,581	739
Total Cost	94,265	5,631	801
Intragovernmental Earned Revenue	6,205	6	-
Public Earned Revenue	-	-	-
Total Earned Revenue	6,205	6	-
Net Cost	88,060	5,625	801
Serving Communities			
Intragovernmental Cost	64,900	218,102	5,298
Public Cost	216,765	404,501	238,878
Total Cost	281,665	622,603	244,176
Intragovernmental Earned Revenue	38,995	17,379	-
Public Earned Revenue	-	5,626	116,626
Total Earned Revenue	38,995	23,005	116,626
Net Cost	242,670	599,598	127,550
Totals			
Intragovernmental Cost	207,966	240,699	5,798
Public Cost	625,149	479,686	243,635
Total Cost	833,115	720,385	249,433
Intragovernmental Earned Revenue	55,044	17,816	1,902
Public Earned Revenue	54,762	5,652	131,784
Total Earned Revenue	109,806	23,468	133,686
Net Cost/(Revenue) of Operations	$723,309	$696,917	$115,747

Permanent Operating Funds	Oregon and California Grant Lands	Other	Elimination of Intra-Bureau Activity	FY 2006
$ 1,775	$ 4,406	$ 2,132	$ (3,485)	$ 80,168
4,640	11,832	11,374	-	265,639
6,415	16,238	13,506	(3,485)	345,807
81,521	-	-	(3,485)	88,841
664,040	-	94,053	-	758,119
745,561	-	94,053	(3,485)	846,960
(739,146)	16,238	(80,547)	-	(501,153)
6,819	12,383	5,915	-	91,459
18,447	38,344	60,568	-	291,676
25,266	50,727	66,483	-	383,135
-	-	65	-	1,437
20	1	228,140	-	298,081
20	1	228,205	-	299,518
25,246	50,726	(161,722)	-	83,617
3,607	2,926	1,383	-	32,397
19,920	8,053	8,214	-	112,403
23,527	10,979	9,597	-	144,800
-	-	-	-	6,211
15,415	-	6,123	-	21,538
15,415	-	6,123	-	27,749
8,112	10,979	3,474	-	117,051
23,404	8,951	8,492	(59,526)	269,621
14,993	25,710	55,741	-	956,588
38,397	34,661	64,233	(59,526)	1,226,209
-	-	38,842	(59,526)	35,690
2,544	-	6,233	-	131,029
2,544	-	45,075	(59,526)	166,719
35,853	34,661	19,158	-	1,059,490
35,605	28,666	17,922	(63,011)	473,645
58,000	83,939	135,897	-	1,626,306
93,605	112,605	153,819	(63,011)	2,099,951
81,521	-	38,907	(63,011)	132,179
682,019	1	334,549	-	1,208,767
763,540	1	373,456	(63,011)	1,340,946
$(669,935)	$112,604	$(219,637)	$ -	$ 759,005

Consolidated Statement of Net Cost of Operations for the Fiscal Year Ended September 30, 2005

(dollars in thousands)	Management of Lands and Resources	Wildland Fire Management	Miscellaneous Permanent Payment Accounts
Resource Protection			
Intragovernmental Cost	$ 54,615	$ 18,591	$ 217
Public Cost	174,161	57,236	4,094
Total Cost	228,776	75,827	4,311
Intragovernmental Earned Revenue	5,742	430	330
Public Earned Revenue	–	11	42,834
Total Earned Revenue	5,742	441	43,164
Net Cost /(Revenue)	223,034	75,386	(38,853)
Resource Use			
Intragovernmental Cost	65,769	484	75
Public Cost	182,693	2,087	339
Total Cost	248,462	2,571	414
Intragovernmental Earned Revenue	2,468	–	–
Public Earned Revenue	51,893	–	10,256
Total Earned Revenue	54,361	–	10,256
Net Cost /(Revenue)	194,101	2,571	(9,842)
Recreation			
Intragovernmental Cost	22,112	1,046	62
Public Cost	70,757	3,547	515
Total Cost	92,869	4,593	577
Intragovernmental Earned Revenue	5,512	–	–
Public Earned Revenue	–	–	–
Total Earned Revenue	5,512	–	–
Net Cost	87,357	4,593	577
Serving Communities			
Intragovernmental Cost	68,100	181,641	5,355
Public Cost	234,031	348,669	351,187
Total Cost	302,131	530,310	356,542
Intragovernmental Earned Revenue	55,094	13,361	–
Public Earned Revenue	–	23,128	198,519
Total Earned Revenue	55,094	36,489	198,519
Net Cost	247,037	493,821	158,023
Totals			
Intragovernmental Cost	210,596	201,762	5,709
Public Cost	661,642	411,539	356,135
Total Cost	872,238	613,301	361,844
Intragovernmental Earned Revenue	68,816	13,791	330
Public Earned Revenue	51,893	23,139	251,609
Total Earned Revenue	120,709	36,930	251,939
Net Cost/(Revenue) of Operations	$751,529	$576,371	$109,905

Permanent Operating Funds	Oregon and California Grant Lands	Other	Elimination of Intra-Bureau Activity	FY 2005
$ 3,599	$ 7,680	$ 2,038	$ (880)	$ 85,860
11,398	24,126	6,417	–	277,432
14,997	31,806	8,455	(880)	363,292
34,016	–	–	(880)	39,638
1,097,175	–	46,064	–	1,186,084
1,131,191	–	46,064	(880)	1,225,722
(1,116,194)	31,806	(37,609)	–	(862,430)
796	11,025	4,894	–	83,043
2,001	35,139	40,884	–	263,143
2,797	46,164	45,778	–	346,186
–	–	–	–	2,468
–	–	155,617	–	217,766
–	–	155,617	–	220,234
2,797	46,164	(109,839)	–	125,952
3,325	2,397	1,385	(3,783)	26,544
67,679	6,987	7,971	–	157,456
71,004	9,384	9,356	(3,783)	184,000
–	–	–	(3,783)	1,729
13,251	–	1,929	–	15,180
13,251	–	1,929	(3,783)	16,909
57,753	9,384	7,427	–	167,091
39,578	5,724	8,152	(65,416)	243,134
13,909	16,868	84,518	–	1,049,182
53,487	22,592	92,670	(65,416)	1,292,316
–	–	34,081	(65,416)	37,120
3,235	–	2,933	–	227,815
3,235	–	37,014	(65,416)	264,935
50,252	22,592	55,656	–	1,027,381
47,298	26,826	16,469	(70,079)	438,581
94,987	83,120	139,790	–	1,747,213
142,285	109,946	156,259	(70,079)	2,185,794
34,016	–	34,081	(70,079)	80,955
1,113,661	–	206,543	–	1,646,845
1,147,677	–	240,624	(70,079)	1,727,800
$(1,005,392)	$109,946	$ (84,365)	$ –	$ 457,994

Note 19 - Change in HAZMAT Ownership

Since 1995, the BLM has managed the Department's Central Hazardous Materials (HAZMAT) fund. This meant the BLM received the annual appropriation from Congress and transferred dollars, via allocation transfers (parent/child relationship), to other DOI bureaus. The Department of the Interior's FY 2006 appropriation bill moved the management of the HAZMAT fund from the BLM to the Department of the Interior's Office of the Secretary (OS), effective October 1, 2005. As a result, the BLM removed financial records related to the parent account of HAZMAT from its accounting system, including FY 2006 beginning balances. Conversely, the OS placed these records into its accounting system and began managing the HAZMAT fund on October 1, 2005.

When the management of the HAZMAT fund became the responsibility of the Department, the BLM became a child to the DOI for the fund. As a result, the BLM established a new HAZMAT fund to account for the allocation transfers it receives from OS. Note 23 provides more information on allocation transfers.

Note 20 – Change in Accounting Principle for Federal Highway Trust Fund

In July 2006, OMB Circular A-136 was updated delineating federal financial reporting requirements. In prior versions of this guidance, federal agencies (child) who received allocated budget authority through another federal agency (parent) were permitted to report proprietary activity in their financial statements, if material to them. However, beginning in FY 2007, child agencies will be required to provide parent agencies with all of their financial activity. Only parent agencies will report this financial activity in their financial statements. Early implementation is allowed if both the parent and child agency agree.

In FY 2006, Interior and the Department of Transportation agreed to use the Highway Trust Fund as a pilot for this new reporting requirement. The cumulative effect of this change in accounting principle resulted in a $2.8 million decrease to the beginning balance of cumulative results of operations on the Consolidated Statement of Changes in Net Position. This also resulted in a $76 thousand decrease to the Imputed Financing from Costs Absorbed by Others; this will affect the Total Imputed Financing from Costs Absorbed by Others (see Note 21).

Note 21 - Imputed Financing from Costs Absorbed by Others

SFFAS No. 5, *Accounting for Liabilities of the Federal Government*, establishes accounting and reporting standards for liabilities relating to the Federal employee benefit programs, including retirement, health benefits, and life insurance. The Office of Personnel Management (OPM) is responsible for paying the cost of these benefits.

Under the provisions of SFFAS No. 5, employer agencies must recognize the cost of pensions and other retirement benefits during their employees' active years of service. Agencies must also recognize the current annual cost of the Federal Employee Health Benefit (FEHB) program and the Federal Employee Group Life Insurance (FEGLI) program.

OPM actuaries have provided the employer agencies with rates for calculating the estimated cost of pension and other retirement benefits. They have also provided rates for use in calculating the cost of FEHB and FEGLI. The Department provided labor cost data for the BLM to use in applying the OPM rates to calculate the total imputed cost of these benefits. While the BLM's funds are not used to pay the cost of these personnel benefits, they are a

BLM operating expense that must be reported to accurately reflect the cost of doing business. The use of OPM funds for this purpose is an imputed source of financing for the BLM.

The Solicitor's Office of the Department of the Interior incurs expenses for attorneys' time and related non-attorney costs on behalf of all DOI bureaus. The Department provided a calculation of the amount of imputed financing sources for each bureau, based on the number of employees and legal cases at each bureau.

The Department of the Treasury Judgment Fund is another imputed source of financing. The BLM is a party to numerous lawsuits where the plaintiff is seeking monetary damages. In many cases, when the BLM is required to pay the plaintiff either as a result of settlement or adjudication, payment is actually made from the Judgment Fund rather than the BLM's appropriations. Treasury provides agencies with information regarding the month and amount of payments actually made, at which time the BLM recognizes the imputed financing source and cost.

(dollars in thousands)	2006	2005
Imputed Financing from OPM:		
Retirement Benefits	$23,458	$24,651
Health Benefits and Life Insurance	46,334	44,732
	69,792	69,383
Imputed Financing from DOI		
Solicitor's Office	9,411	10,012
Imputed Financing from Treasury		
Department's Judgment Fund	539	475
Total Imputed Financing from Costs Absorbed by Others	$79,742	$79,870

The FY 2006 "Total Imputed Financing from Costs Absorbed by Others" amount does not agree with the Consolidated Statements of Changes in Net Position FY 2006 "Imputed Financing from Costs Absorbed by Others" amount due to a change in accounting principle (see Note 20).

Note 22 - Combined Statements of Budgetary Resources

Apportionment Categories of Obligations Incurred

All of the BLM's FY 2006 and FY 2005 funds were appropriated under Category B and were subject to annual apportionment by OMB.

Permanent Indefinite Appropriations

Permanent indefinite appropriations result from provisions in permanent public laws that authorize the BLM to retain certain receipts. These funds do not require annual appropriation action by Congress; they are subject to the authorities of permanent public law and are available until expended. As of September 30, 2006, the Bureau had 31 permanent indefinite appropriations, which are primarily used for special programs and projects. Some examples include the Southern Nevada Public Land Management Act, Federal Land Transaction Facilitation Act, Recreation Fee Demonstration Program, and Timber Sale Pipeline Restoration Fund.

Appropriations Received

The Appropriations Received line item on the Consolidated Statements of Changes in Net Position differs from that reported on the Combined Statements of Budgetary Resources because Appropriations Received on the Consolidated Statements of Changes in Net Position do not include appropriated, dedicated and earmarked receipts. Dedicated and earmarked receipts are accounted for as either exchange or non-exchange revenue.

Total Undelivered Orders

The BLM's total undelivered orders balances as of September 30, 2006 and 2005 were $1.4 billion and $1.4 billion, respectively.

Total Obligated Balance, Net, End of Year

Net obligated balances contain amounts related to undelivered orders. The total net obligated balances for the end of fiscal years 2006 and 2005 were approximately $1.5 billion and $1.5 billion, respectively.

Legal Arrangements Affecting the Use of Unobligated Balances of Budget Authority

All of the Bureau's funding needs are authorized in a number of appropriation laws, which are a combination of current and permanent authority. Current authority includes funding that is legislatively re-authorized each fiscal year, while permanent authority is issued once and remains in effect in future fiscal years until revised or rescinded. Most of the BLM's Treasury accounts are classified as no-year, which signifies that the Bureau may utilize its fiscal year-end unobligated resources to execute its operating programs in subsequent fiscal years.

All appropriation language contains specific and/or general authorizations. These authorizations may be defined as legislative parameters that frame the funding and Federal agency policy for executing programs. For example, Public Law 109-54, the appropriation law that was the major source of funding for the BLM's operating programs in FY 2006, directs that a definite sum of the Bureau's wildland firefighting authority be applied to the construction of fire facilities. These authorizations also direct how the Bureau must treat other assets it may acquire as a result of executing its operating programs. Since both specific and general authorizations are integral components of all legislation, the BLM does not view them as restrictions or legal encumbrances on its available funding.

Differences between Amounts Reported in the Statements of Budgetary Resources and Amounts Reported in the Budget of the U.S. Government

The Combined Statements of Budgetary Resources have been prepared to coincide with the amounts shown in the Budget of the United States Government (President's Budget). The actual amounts for FY 2005 in the President's Budget had not been published at the time these financial statements were prepared. The President's Budget containing the actual FY 2005 amounts was released in February 2006, and the FY 2006 amounts are estimated to be released in February 2007. The President's Budget can be located at the OMB website (***http://www.whitehouse.gov/omb***).

Budgetary Resources and the Status of Budgetary Resources presented in the Combined Statement of Budgetary Resources for the fiscal year ended September 30, 2005, differ from the amounts presented in the FY 2005 column of the FY 2007 Budget of the United States Government because of rounding and publication timing differences. Rounding differences are the result of the President's Budget being rounded in millions of dollars while the Statement of Budgetary Resources is rounded in thousands of dollars. A publication timing difference occurred when an adjustment was made to the Wildland Fire Management appropriation and was included in the President's Budget but did not appear in the BLM's FY 2005 Annual Report because the BLM's report was published prior to the adjustment being made. The specific line items affected by this adjustment are annotated with asterisks and presented in the following table. The unannotated differences are due to rounding.

September 30, 2005 (dollars in millions)	Amount per Statement of Budgetary Resources	Amount per President's Budget	Difference
Budgetary Resources:			
Unobligated Balance, Beginning of Year	$878	$879	(1)
Recoveries of Prior Year Obligations	72	71	1
Budget Authority:			
Appropriations Received	3,307	3,306	1
Spending Authority From Offsetting Collections	258	258	-
Nonexpenditure Transfers, Net	(7)	(6)	(1)
Permanently Not Available	(26)	(26)	-
Status of Budgetary Resources:			
Obligations Incurred	3,259	3,259	-
Unobligated Balance Available	1,224	1,223	1
Change in Obligated Balance:			
Obligated Balance, Net, Beginning of Year	872	876	(4)*
Obligations Incurred, Net	3,259	3,259	-
Less: Gross Outlays	(2,595)	(2,601)	6*
Less: Recoveries of Prior Year Unpaid Obligations	(72)	(71)	(1)
Change in Uncollected Customer Payments from Federal Sources	1	1	-
Net Outlays:			
Gross Outlays	2,595	2,601	(6)*
Less: Offsetting Collections	(259)	(259)	-

Note 23 - Allocation Transfer Reconciling Items

Allocation transfers are the amounts of budgetary resources transferred between agencies or bureaus to carry out the purposes of the parent account. The BLM is both a parent agency and a recipient, or child, agency of allocation transfers.

OMB requires parent agencies to report their child agencies' transactions as part of their Statements of Budgetary Resources, while the child agencies report the proprietary activity on their Balance Sheets, Statements of Net Cost of Operations, and Statements of Changes in Net Position. This process creates a reconciling difference on the Statements of Financing.

During FY 2005, the BLM was the parent agency for the Wildland Fire Management Fund and the Central Hazardous Materials Fund. All allocation transfers made from these funds were distributed to other Department of the Interior bureaus. Also during FY 2005, the BLM was a child agency of the Department of Agriculture's National Forest System Fund, the Department of the Interior's Natural Resources Damage Assessment and Restoration Fund, and the Department of Transportation's Highway Trust Fund.

During FY 2006, the BLM was a parent agency for the Wildland Fire Management Fund; the Southern Nevada Public Land Management Act Fund (which began using allocation transfers during FY 2006); and the Rent From Mineral Leases, Permit Processing Fund (a new fund to the BLM for FY 2006). As of October 1, 2005, the management of the Central Hazardous Materials Fund changed from the BLM to the OS (see Note 19), making the BLM a child agency during FY 2006. Also during FY 2006, the BLM was a child agency of the Department of Agriculture's National Forest System Fund, the Department of the Interior's Natural Resources Damage Assessment and Restoration Fund, and the Department of Transportation's Highway Trust Fund.

The recipient of allocation transfers is not generally required to obligate or spend those funds in the year of transfer and in many cases uses a portion of that funding in subsequent years. As a result, the reconciling items created on the Statements of Financing are not generated solely by the current year transfers, but also consist of current year activity related to prior year transfers. Therefore, the amounts in the table below reflect the amounts included in cost of operations for FY 2006 and FY 2005, not the actual dollars transferred during the year.

(dollars in thousands)		2006	2005
The BLM as the Providing Agency (Parent):	Nature and Purpose of Transfer		
Department of the Interior: Wildland Fire Management Fund	To fund Fire programs	$(392,664)	$(339,618)
Central Hazardous Material Fund	Clean-up of Environmental Sites	-	(7,993)
Department of Agriculture: Southern Nevada Public Land Management Act Fund	To fund SNPLMA Projects	(13,543)	-
Rent From Mineral Leases, Permit Processing Fund	Coordination and processing of oil and gas use	(765)	-
Allocation Transfer Reconciling Item		$(406,972)	$(347,611)

(dollars in thousands)		2006	2005
The BLM as the Recipient Agency (Child):			
Department of the Interior: Central Hazardous Materials	Clean-up of Environmental Sites	$3,579	$ -
Natural Resource Damage Assessment	Restoration Activities	295	228
Department of Agriculture: National Forest System Fund	Forest Protection and Utilization	2,533	2,469
Department of Transportation: Highway Trust Fund	Maintenance of Highway on Interior Land	-	158
Allocation Transfer Reconciling Item		$6,407	$2,855

Supplementary Statement of Budgetary Resources by Major Budget Accounts for the Fiscal Year Ended September 30, 2006

(dollars in thousands)	Wildland Fire Management	Management of Lands and Resources
Budgetay Resources:		
Unobligated Balance, Beginning of Year	$ 128,310	$ 33,192
Change in Central HAZMAT Ownership	-	-
Recoveries of Prior Year Unpaid Obligations	24,927	24,327
Budget Authority:		
Appropriations Received	866,564	860,791
Spending Authority from Offsetting Collections:		
Earned:		
Collected	27,813	89,295
Receivable from Federal Sources	(104)	1,674
Change in Unfilled Customer Orders:		
Advance Received	(2,400)	-
Without Advance from Federal Sources	(2,450)	7,208
Total Budget Authority	889,423	958,968
Nonexpenditure Transfers, Net	97,366	-
Permanently Not Available Pursuant to Public Law	(11,278)	(13,194)
Total Budgetary Resources	$1,128,748	$1,003,293
Status of Budgetary Resources:		
Obligations Incurred:		
Direct	$951,287	$ 899,949
Reimbursable	24,184	62,168
Total Obligations Incurred	975,471	962,117
Unobligated Balance Available, Apportioned	153,277	41,176
Total Status of Budgetary Resources	$1,128,748	$1,003,293
Change in Obligated Balance:		
Obligated Balance, Net:		
Obligations, Beginning of Year	$ 298,214	$ 237,296
Change in Central HAZMAT Ownership	-	-
Less: Uncolleted Customer Payments from Federal Sources, Beginning of Year	(11,705)	(22,978)
Total Obligated Balances, Net, Beginning of Year	286,509	214,318
Obligations Incurred, Net	975,471	962,117
Less: Gross Outlays	(973,525)	(937,226)
Less: Recoveries of Prior Year Unpaid Obligations	(24,926)	(24,327)
Change in Uncollected Customer Payments from Federal Sources	2,554	(8,883)
Total Obligated Balance, Net, End of Year	$ 266,083	$ 205,999
Obligated Balance, Net, End of Year:		
Unpaid Obligations	$ 275,234	$ 237,859
Less: Uncollected Customer Payments from Federal Sources	(9,151)	(31,860)
Total Obligated Balance, Net, End of Year	$ 266,083	$ 205,999
Net Outlays:		
Net Outlays		
Gross Outlays	$ 973,525	$ 937,226
Less: Offsetting Collections	(25,413)	(89,296)
Less: Distributed Offsetting Receipts	-	-
Net Outlays	$ 948,112	$ 847,930

Miscellaneous Permanent Payment Accounts	Permanent Operating Funds	Oregon and California Grant Lands	Other	Combined
$ 3,871	$ 892,762	$1,719	$ 164,234	$1,224,088
-	-	-	(4,286)	(4,286)
418	71,721	1,669	4,833	127,895
8,868	862,343	110,070	322,411	3,031,047
-	-	-	212,289	329,397
-	-	-	205	1,775
-	-	-	(4)	(2,404)
-	-	-	(4)	4,754
8,868	862,343	110,070	534,897	3,364,569
-	116	-	(5,000)	92,482
-	-	(1,619)	(304)	(26,395)
$13,157	$1,826,942	$111,839	$ 694,374	$4,778,353
$ 8,325	$ 266,547	$109,655	$ 540,689	$2,776,452
-	-	-	-	86,352
8,325	266,547	109,655	540,689	2,862,804
4,832	1,560,395	2,184	153,685	1,915,549
$13,157	$1,826,942	$111,839	$ 694,374	$4,778,353
$ 5,419	$ 877,885	$ 28,461	$ 59,462	$1,506,737
-	-	-	(20,073)	(20,073)
-	-	-	(6,951)	(41,634)
5,419	877,885	28,461	32,438	1,445,030
8,325	266,547	109,655	540,689	2,862,804
(7,682)	(131,888)	(104,134)	(518,160)	(2,672,615)
(418)	(71,721)	(1,669)	(4,835)	(127,896)
-	-	-	(200)	(6,529)
$ 5,644	$ 940,823	$ 32,313	$ 49,932	$1,500,794
$ 5,644	$ 940,823	$ 32,313	$ 57,084	$1,548,957
-	-	-	(7,152)	(48,163)
$ 5,644	$ 940,823	$ 32,313	$ 49,932	$1,500,794
$ 7,682	$ 131,888	$104,134	$ 518,160	$2,672,615
-	-	-	(212,285)	(326,994)
-	(753,009)	-	(618,818)	(1,371,827)
$ 7,682	$ (621,121)	$104,134	$(312,943)	$ 973,794

Supplementary Statement of Budgetary Resources by Major Budget Accounts for the Fiscal Year Ended September 30, 2005 (dollars in thousands)

(dollars in thousands)	Wildland Fire Management	Management of Lands and Resources
Budgetay Resources:		
Unobligated Balance, Beginning of Year	$ 89,403	$ 34,750
Recoveries of Prior Year Unpaid Obligations	27,983	21,979
Budget Authority:		
Appropriations Received	843,099	848,939
Spending Authority from Offsetting Collections:		
Earned:		
Collected	42,320	97,434
Receivable from Federal Sources	(3,642)	6,916
Change in Unfilled Customer Orders:		
Advance Received	(8,599)	4
Without Advance from Federal Sources	(6,727)	1,614
Total Budget Authority	866,451	954,907
Nonexpenditure Transfers, Net	-	7,500
Permanently Not Available Pursuant to Public Law	(11,804)	(12,113)
Total Budgetary Resources	$972,033	$1,007,023
Status of Budgetary Resources:		
Obligations Incurred:		
Direct	$831,011	$ 903,436
Reimbursable	12,711	70,397
Total Obligations Incurred	843,722	973,833
Unobligated Balance Available, Apportioned	128,311	33,171
Unobligated Balance Not Available	-	19
Total Status of Budgetary Resources	$972,033	$1,007,023
Change in Obligated Balance:		
Obligated Balance, Net:		
Obligations, Beginning of Year	$294,088	$ 239,305
Less: Uncolleted Customer Payments from Federal Sources, Beginning of Year	(22,074)	(14,449)
Total Obligated Balances, Net, Beginning of Year	272,014	224,856
Obligations Incurred, Net	843,722	973,833
Less: Gross Outlays	(811,613)	(953,862)
Less: Recoveries of Prior Year Unpaid Obligations	(27,983)	(21,979)
Change in Uncollected Customer Payments from Federal Sources	10,369	(8,530)
Total Obligated Balance, Net, End of Year	$286,509	$ 214,318
Obligated Balance, Net, End of Year:		
Unpaid Obligations	$298,214	$ 237,296
Less: Uncollected Customer Payments from Federal Sources	(11,705)	(22,978)
Total Obligated Balance, Net, End of Year	$286,509	$ 214,318
Net Outlays:		
Net Outlays		
Gross Outlays	$811,613	$ 953,862
Less: Offsetting Collections	(33,722)	(97,438)
Less: Distributed Offsetting Receipts	-	-
Net Outlays	$777,891	$ 856,424

Miscellaneous Permanent Payment Accounts	Permanent Operating Funds	Oregon and California Grant Lands	Other	Combined
$ 5,517	$ 565,892	$ 2,615	$179,622	$ 877,799
119	15,840	1,453	4,908	72,282
356,306	1,068,874	109,057	81,136	3,307,411
-	-	-	126,278	266,032
-	-	-	491	3,765
-	-	-	1,970	(6,625)
-	-	-	-	(5,113)
356,306	1,068,874	109,057	209,875	3,565,470
-	36	-	(14,499)	(6,963)
-	-	(1,560)	(318)	(25,795)
$361,942	$1,650,642	$111,565	$379,588	$4,482,793
$355,692	$ 757,879	$109,846	$217,733	$3,175,597
-	-	-	-	83,108
355,692	757,879	109,846	217,733	3,258,705
6,250	892,763	1,719	161,855	1,224,069
-	-	-	-	19
$361,942	$1,650,642	$111,565	$379,588	$4,482,793
$ 5,249	$ 277,758	$ 27,778	$ 70,706	$ 914,884
-	-	-	(6,460)	(42,983)
5,249	277,758	27,778	64,246	871,901
355,692	757,879	109,846	217,733	3,258,705
(355,403)	(141,912)	(107,710)	(224,069)	(2,594,569)
(119)	(15,840)	(1,453)	(4,908)	(72,282)
-	-	-	(491)	1,348
$ 5,419	$ 877,885	$ 28,461	$ 52,511	$1,465,103
$ 5,419	$ 877,885	$ 28,461	$ 59,462	$1,506,737
-	-	-	(6,951)	(41,634)
$ 5,419	$ 877,885	$ 28,461	$ 52,511	$1,465,103
$355,403	$ 141,912	$107,710	$224,069	$2,594,569
-	-	-	(128,247)	(259,407)
(279,880)	(1,043,478)		(155,027)	(1,478,385)
$ 75,523	$ (901,566)	$107,710	$ (59,205)	$ 856,777

STEWARDSHIP LANDS AND HERITAGE ASSETS REPORT

Stewardship Lands [1]

The BLM has been entrusted with stewardship responsibility for the multiple-use management of natural resources on and beneath millions of acres of America's "public lands." The Federal Land Policy and Management Act (FLPMA) of 1976 (43 U.S.C. 1701 et seq., Public Law 94-579, Sec.103(e)) defines public lands as "... any land and interest in land owned by the United States within the several States and administered by the Secretary of the Interior through the Bureau of Land Management, without regard to how the United States acquired ownership, except: (1) lands located on the Outer Continental Shelf; and (2) lands held for the benefit of Indians, Aleuts, and Eskimos."

Most of the public lands for which the BLM serves as steward were once a part of the approximately 1.8 billion acres of "public domain" lands acquired by the Nation between 1781 and 1867. Lands managed by the BLM represent about one-eighth of America's land surface, or approximately 42 percent of the lands under Federal ownership. The BLM manages lands in 30 states, but most of the public lands are located in Alaska and the 11 western states, encompassing Arizona, California, Colorado, Idaho, Montana, New Mexico, Nevada, Oregon, Utah, Washington, and Wyoming.

Relationship of Stewardship Lands [2] to BLM's Mission

It is the mission of the BLM to sustain the health, diversity, and productivity of the public lands' resources for the use and enjoyment of present and future generations. These public lands are all stewardship lands;[3] the management of the resources related to the land is the essence of the BLM's mission.

[1] The Federal Accounting Standards Advisory Board (FASAB) defines "Stewardship Land" as "land and land rights owned by the Federal Government but not acquired for or in connection with items of general PP&E [Property, Plant, and Equipment]." "Acquired for or in connection with" means "land acquired with the intent to construct general PP&E and land acquired in combination with general PP&E, including not only land used as the foundation but also adjacent land considered to be the general PP&E's common grounds."

[2] The FASAB defines "'[l]and' as the solid part of the surface of the earth. Excluded from the definition are the natural resources (that is, depletable resources, such as mineral deposits and petroleum; renewable resources, such as timber; and the outer-continental shelf resources) related to land."

[3] The FASAB presently has an active project to address standards for natural resources, for which they are considering developing individual standards for each type of natural resources separately. To begin the project, FASAB will be addressing oil and gas resources. The framework for the oil and gas resource phase of the project will be used as a model when addressing the other types or logical sets of natural resources (e.g., timber, grazing land, and solid leasable minerals) in subsequent phases of the project.

Use of Stewardship Lands

The BLM is guided by the principles of multiple use [4] and sustained yield in managing the natural resources on the public lands. All of the public lands, including those described in the Natural Heritage Assets section of this report, are managed for multiple use and are, in fact, used for multiple (more than one) resource values.

Land use plans, developed with public involvement, are the mechanism by which the multiple-use concept is put into practice. The BLM is required to develop, maintain, and, when appropriate, revise land use plans that provide by tracts or areas for the use of the public lands. The BLM is also required to "use and observe the principles of multiple use and sustained yield" in the developing and revising of land use plans.

The multiple uses of BLM-managed lands include one or more of the following uses: domestic livestock grazing, fish and wildlife development and utilization, mineral exploration and production, rights-of-way, outdoor recreation, and timber production.[5]

---

[4] The term "multiple use" is defined in Section 103(c) of FLPMA as "... the management of the public lands and their various resource values so that they are utilized in the combination that will best meet the present and future needs of the American people; making the most judicious use of the land for some or all of the resources or related services over areas large enough to provide sufficient latitude for periodic adjustments in use to conform to changing needs and conditions; the use of some land for less than all of the resources; a combination of balanced and diverse resource uses that takes into account the long-term needs of future generations for renewable and nonrenewable resources, including, but not limited to, recreation, range, timber, minerals, watershed, wildlife and fish, and natural scenic, scientific and historical values; and harmonious and coordinated management of the various resources without permanent impairment of the productivity of the land and the quality of the environment with consideration being given to the relative values of the resources and not necessarily to the combination of uses that will give the greatest economic return or the greatest unit output."

[5] **Domestic Livestock Grazing:** The BLM issues grazing permits primarily for cattle and sheep, but also issues permits for domestic horses, goats, bison, and reindeer. Livestock grazing is managed on millions of acres of the public lands—about 90 percent of the public lands in the 11 western states and about 6 percent in Alaska. Livestock grazing is managed in a way that allows the harvest of forage resources while maintaining wildlife habitat, meeting the requirements of the Clean Water Act, and providing for scenic values and recreational activities. Permits are issued that authorize appropriate grazing levels, season of use, and duration of use by livestock in the multiple use context.

Fish and Wildlife Development and Utilization: Wildlife and fish habitat spans all of the public lands and waterways. The BLM's wildlife and fisheries management program works to maintain and restore fish and wildlife and their habitats by conserving and monitoring habitat conditions, conducting inventories of fish and wildlife resources, and developing cooperative management plans, while providing for environmentally responsible recreation and commercial uses. The BLM works closely with state wildlife management agencies that are responsible for managing fish and wildlife populations that occur on BLM lands. The BLM lands support habitat for all North American big game species, waterfowl, shorebirds, upland game birds, and a large number of nongame birds, mammals, reptiles, amphibians, and fish.

Mineral Exploration and Production: Energy and mineral resources generate the highest economic production values among commercial uses of both BLM-administered public lands (surface) and Federal minerals (subsurface) estates. The BLM provides for the American people's use of the minerals that reside on or under the surface area of the public lands, including both fluid and solid minerals. Fluid Minerals: The BLM is the Federal agency responsible for the regulating the extraction of oil and gas from the Federal mineral estate. This includes the approval of geophysical operations, leasing of lands for oil and gas development, the drilling of oil and gas wells, oil and gas pipelines, and the abandonment of oil and gas wells. After approval of an operation is granted, the BLM inspects all aspects of these operations to ensure compliance with all laws and approved requirements. The BLM also ensures that oil and gas resources are not drained from federal lands. Solid Minerals: There are three basic types of solid minerals on Federal lands: (1) locatable (subject to the General Mining Law of 1872, as amended); (2) leasable (subject to various mineral leasing acts, such as the Mineral Leasing Act of 1920, as amended); and (3) salable (subject to mineral materials disposed of under the Materials Act of 1947, as amended).

Rights-of-Way: Rights-of-way include an easement, lease, permit, or license to occupy, use, or traverse public lands. The BLM has been granted the authority to grant, issue, or renew rights-of-way over, upon, under, or through the public lands for various purposes.

Outdoor Recreation: The multiple use mission of the BLM is to serve the diverse outdoor recreation demands of visitors while helping them to maintain the sustainable conditions needed to conserve their lands and their recreation choices. The BLM's vision is to provide the stewardship that will open up new opportunities for people to recreate responsibly in their great outdoors. The goal is to provide opportunities for environmentally responsible recreation.

Timber Production: Timber production is the art and science of culturing (cultivating, planting, fertilizing, protecting, thinning, and ultimately harvesting) trees to use them for the production of lumber or paper. Timber production is just one aspect of the Bureau's overall forest management program. It is practiced only on those lands deemed suitable to produce timber on a sustained yield basis (i.e., commercial forest lands) and where it is compatible with other land management objectives as outlined in the applicable land use plan.

The BLM reports its stewardship land by 12 "administrative" states whose boundaries largely follow one or more political state lines. Each administrative state is further divided into administrative management areas. Specific land use plans are developed and implemented to manage the land's resources for both present and the future periods at the administrative management area level. Table 1 below provides the numbers of administrative management areas for 2006.

Table 1 – Stewardship Lands Managed by the BLM

Category By Use	BLM Administrative States[1]	Administrative Management Areas				
		2005 Balance	2006 Additions[2]	2006 Withdrawals[2]	2006 Net Change	2006 Balance
Multiple	Alaska	5	0	0	0	5
Multiple	Arizona	8	0	0	0	8
Multiple	California	15	0	0	0	15
Multiple	Colorado	14	0	0	0	14
Multiple	Eastern States (consisting of Alabama, Arkansas, Florida, Illinois, Indiana, Iowa, Louisiana, Maryland, Michigan, Minnesota, Mississippi, Missouri, Ohio, Virginia, and Wisconsin)	2	0	0	0	2
Multiple	Idaho	12	0	0	0	12
Multiple	Montana (including North Dakota and South Dakota)	11	0	0	0	11
Multiple	Nevada	6	0	0	0	6
Multiple	New Mexico (including Kansas, Oklahoma, and Texas)	8	0	0	0	8
Multiple	Oregon (including Washington)	24	0	0	0	24
Multiple	Utah	11	0	0	0	11
Multiple	Wyoming (including Nebraska)	10	0	0	0	10
	Total	126	0	0	0	126

[1] In some cases the BLM administrative states extend partly into one or more adjoining state(s) as follows:
- The BLM administrative state of Arizona consists of the legal boundaries of the state of Arizona plus areas in Imperial, Riverside, and San Bernardino Counties, California.
- The BLM administrative state of California consists of the legal boundaries of the state of California except areas in Alpine, Lassen, Sierra, Imperial, Riverside, and San Bernardino Counties; plus areas in Humboldt and Washoe Counties, Nevada.
- The BLM administrative state of Colorado consists of the legal boundaries of the state of Colorado plus areas in Grand County, Utah.
- The BLM administrative state of Idaho consists of the legal boundaries of the state of Idaho plus areas in Elko County, Nevada, and areas in Malheur County, Oregon.
- The BLM administrative state of Nevada consists of the legal boundaries of the state of Nevada, except areas in Humboldt, Washoe, and Elko Counties; plus areas in Alpine, Lassen, and Sierra Counties, California.
- The BLM administrative state of Oregon consists of the legal boundaries of Oregon and Washington except areas in Malheur County, Oregon.
- The BLM administrative state of Utah consists of the legal boundaries of the state of Utah except areas in Grand County.

[2] Changes in administrative management units may occur as a result of the division of one administrative management unit into two or more administrative management units, or the merging of two or more administrative management units into one. In some years, such as FY 2006, there may not be changes in the number of administrative management units. Changes in the number of administrative management units do not necessarily correlate to changes in the number of acres managed by the BLM. Changes in acreage managed by the BLM result from acquisitions of lands through purchase, donation, or exchange, and from the disposal of lands through exchange and various public land laws (including sales). More accurate mapping using improved technology, periodic audits, and/or reviews of BLM records may also result in decreases or increases in BLM's acreage data.

Goals and Principles for Managing Stewardship Lands

The overarching goals and principles by which the public lands are managed are contained in FLPMA, which provides the basis for planning and managing the uses of resources on the public lands for the American people. In Sec. 102, FLPMA declares that the policy of the United States is as follows:

- [G]oals and objectives be established by law as guidelines for public land use planning, and that management be on the basis of multiple use and sustained yield unless otherwise specified by law . . . ;
- [T]he public lands be managed in a manner that will protect the quality of scientific, scenic, historical, ecological, environmental, air and atmospheric, water resources, and archeological values; that, where appropriate, will preserve and protect certain public lands in their natural condition; that will provide food and habitat for fish and wildlife and domestic animals; and that will provide for outdoor recreation and human occupancy and use . . . ;
- [T]he public lands be managed in a manner which recognizes the Nation's need for domestic sources of minerals, food, timber, and fiber from the public lands including implementation of the Mining and Minerals Policy Act of 1970 . . . as it pertains to the public lands . . . .

Other laws and Executive Orders that provide guidance on how specific uses are managed include, but are not limited to, those shown in Table 2 below.

Table 2 – Guidance for the Management and Use of Resources on the Public Lands

- The Oregon and California Grant Lands Act of 1937 (43 U.S.C. 1181) - The Alaska National Interest Lands Conservation Act of 1980, (16 U.S.C. 3101 et seq.), - The Naval Petroleum Reserves Production Act - The Reindeer Act - The Taylor Grazing Act of 1934, as amended, (43 U.S.C. 315 et seq.), - The Public Rangelands Improvement Act of 1978, (43 U.S.C. 1901 et seq.) - The National Environmental Policy Act of 1969 (NEPA) (42 U.S.C. 4321 et seq.) - The Endangered Species Act of 1973, as amended (16 U.S.C. 1531 et seq.), - The Wild and Scenic Rivers Act of 1968 as amended (16 U.S.C. 1271 et seq.), - The National Historic Preservation Act of 1966, as amended (16 U.S.C. 470 et seq.), - The Safe Drinking Water Act (42 U.S.C. 300f), - The Soil and Water Resources Conservation Act of 1977 (16 U.S.C. 2001), - The Clean Air Act of 1990 as amended (42 U.S.C. 7401 et seq.), - The Clean Water Act of 1987 as amended (33 U.S.C. 1251), - The American Indian Religious Freedom Act, 1966 (42 U.S.C 1996 et seq.), - Executive Order 13007 ("Indian Sacred Sites"), (61 FR 104, May 29, 1966), - Executive Order 11990, Protection of Wetlands, May 25, 1977 (42 FR 26961), - Executive Order 12088, Federal Compliance with Pollution Control Standards, October 17, 1978 (43 FR 47707), - Executive Orders 10046, 10175, 10234, 10322, 10787, 10890, - The Migratory Bird Conservation Act of 1929, as amended (16 U.S.C. 715) and treaties pertaining thereto,	- The Mineral Leasing Act for Acquired Lands of 1947 as amended (30 U.S.C. 351-359 et seq.), - The Mineral Leasing Act of 1920, as amended (30 U.S.C. 181 et seq.) - The Federal Oil and Gas Royalty Management Act of 1982, - The Federal Onshore Oil and Gas Leasing Reform Act of 1987, - The Surface Mining Control and Reclamation Act of 1977 (30 U.S.C. 1201 et seq.), - The Multiple Mineral Development Act of 1954 (30 U.S.C. 521-531 et seq.), - The Materials Act of July 31, 1947, as amended (30 U.S.C. 601 et seq.), - The Federal Coal Leasing Amendments Act of 1976, as amended (90 Stat. 1083-1092), - Section 402 of Reorganization Plan No. 3 of 1946 (5 U.S.C. Appendix), - The Mining and Minerals Policy Act of 1970, - The National Materials and Minerals Policy, Research and Development Act of 1980, - The National Energy Policy report of May 2001, - Executive Order 13211, Actions Concerning Regulations that Significantly Affect Energy Supply, May 2001, - Executive Order 13212, Actions to Expedite Energy-Related Projects, May 2001, - The Land and Water Conservation Fund Act of 1965, as amended, (16 U.S.C. 460 (1-6a) et seq.), - The Wilderness Act of 1964 (16 U.S.C. 1131), - The National Trails System Act of 1968, as amended (16 U.S.C. 1241 et seq.), - The Sikes Act of 1974 (16 U.S.C. 670 et seq.), - The Federal Lands Recreation Enhancement Act of 2004 (16 U.S.C. 6803(c)).

The BLM develops policy and guidance based on the above-listed laws and executive orders, and reviews the adequacy of policy through program evaluations, technical reviews, and general management evaluations. These evaluations and reviews are performed to ensure that the BLM at all levels (field, state, national, and Washington offices) is operating in compliance with law, regulation, and policy. Evaluations also allow the BLM to identify where policy needs to be amended to achieve the intended purposes of those laws and executive orders.

Natural Heritage Assets

Protecting and Enhancing the Natural and Human Environment

Guided by the principles of multiple use and sustained yield in managing the public lands, the BLM has recognized the need to protect and enhance the natural and human environment. Special management areas have been designated by Presidential, Congressional, and Secretarial action. Presidential action has established 14 BLM national monuments. Congress has established one BLM national monument and numerous national conservation and protection areas, wilderness areas, wild and scenic rivers, national trails, and other designations. Areas designated by the Secretary of the Interior include national recreation trails and national natural landmarks.

Types of Special Management Areas

Although the BLM manages natural heritage assets that are not in specifically designated areas, significant portions of the public lands have been presidentially, congressionally, or secretarially designated as special management areas. These special management areas have been designated to preserve their natural heritage values. Table 3 provides a summary of the number of designated special management areas, including any changes in fiscal year 2006. These special management areas are found on the BLM-managed stewardship lands described above.

Table 3 - Designated Special Management Areas

Special Management Area Type[1]	Number				
	2005 Balance	2006 Increase[2]	2006 Decrease[2]	2006 Net Change	2006 Balance
National Monuments [p -14 and c-1]	15	-	-	-	15
National Conservation Areas [c]	13	-	-	-	13
Cooperative Management and Protection Area [c]	1	-	-	-	1
White Mountains National Recreation Area [c]	1	-	-	-	1
Yaquina Head Outstanding Natural Area [c]	1	-	-	-	1
Wilderness Areas [c]	175	2	-	2	177
National Wild and Scenic Rivers [c]	38	-	-	-	38
Headwaters Forest Reserve [c]	1	-	-	-	1
National Historic Trails [c]	10	-	-	-	10
National Scenic Trails [c]	2	1	-	1	3
National Recreation Trails [s]	33	1	-	1	34
Lake Todatonten Special Management Area [c]	1	-	-	-	1
National Natural Landmarks [s]	45	1	-	1	46

[1] Congressional designations are identified by [c], Presidential proclamation designations are identified by [p], and Secretarial designations are identified by [s].

[2] An increase results from a new designation action or a transfer from a different entity, while a decrease results from a previous designation being revoked, reclassified, or transferred to a different entity. In FY 2006, new designations increased wilderness areas by 2, National Recreation Trails by 1, and National Natural Landmarks by 1.

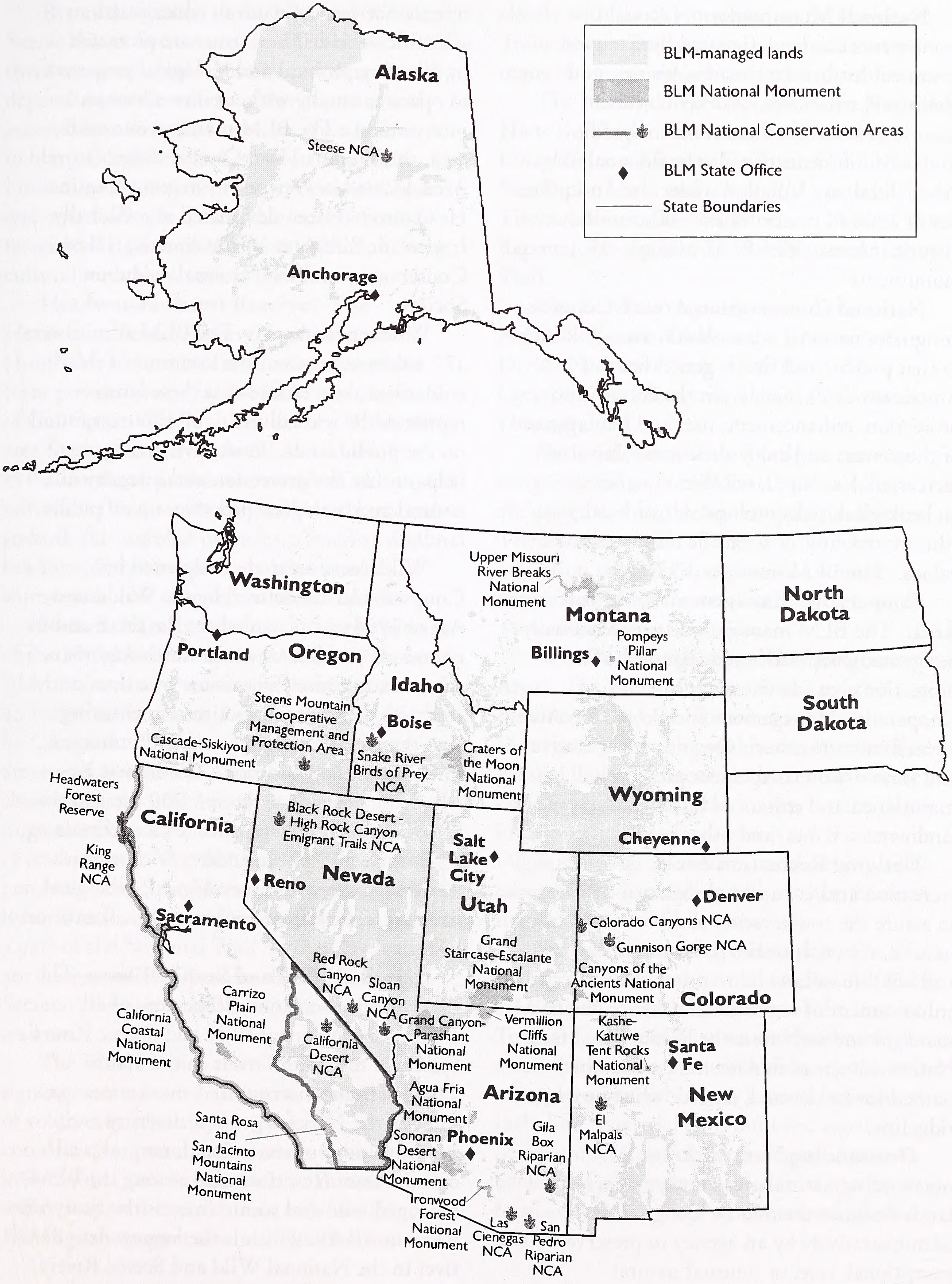


Figure 2 - BLM-Managed Public Lands, including National Monuments and National Conservation Areas

National Monuments: National monuments can be designated by Congress to protect historic landmarks, historic and prehistoric structures, or other objects of historic or scientific interest on the public lands. Monuments can also be designated by Presidential proclamation under the Antiquities Act of 1906 to protect objects of scientific or historic interest. The BLM manages 15 national monuments.

National Conservation Areas: Congress designates national conservation areas (NCAs) so that present and future generations of Americans can benefit from the conservation, protection, enhancement, use, and management of these areas and enjoy their natural, recreational, cultural, wildlife, aquatic, archeological, paleontological, historical, educational, and/or scientific resources and values. The BLM manages 13 NCAs.

Cooperative Management and Protection Area: The BLM manages one congressionally designated cooperative management and protection area, the Steens Mountain Cooperative Management and Protection Area, located in southeastern Oregon. Cooperative and innovative management projects will be maintained and enhanced by the BLM, private landowners, tribes, and other public interests.

National Recreation Area: A national recreation area is an area designated by Congress to assure the conservation and protection of natural, scenic, historic, pastoral, and fish and wildlife values and to provide for the enhancement of recreational values. The BLM manages one such area, the White Mountains National Recreation Area in Alaska, which is named for its unusual, jagged, white limestone ridgeline.

Outstanding Natural Area: An outstanding natural area consists of protected lands designated either by Congress or administratively by an agency to preserve exceptional, rare, or unusual natural characteristics and to provide for the protection or enhancement of natural, educational, or scientific values. These areas are protected by allowing physical and biological processes to operate, usually without direct human intervention. The BLM manages one such area, the Yaquina Head Outstanding Natural Area, located in Newport, Oregon. Yaquina Head also has been designated as a Globally Important Bird Area by the American Bird Conservancy and the National Audubon Society.

Wilderness Areas: The BLM administers 177 wilderness areas. The locations of these wilderness areas ensure that these lands represent the wide diversity of resources found on the public lands. Protective management helps ensure the protection and integrity of natural and biological processes on all public lands.

Wilderness areas are designated by Congress and are defined by the Wilderness Act of 1964 as a place "where the earth and its community of life are untrammeled by man, where man himself is a visitor who does not remain." Designation is aimed at ensuring that these lands are preserved and protected in their natural condition. Wilderness areas, which are generally at least 5,000 acres in size, offer outstanding opportunities for solitude or a primitive and unconfined type of recreation. They may also contain ecological, geological, or other features that have scientific, scenic, or historical value.

National Wild and Scenic Rivers: The BLM administers some 20 percent of all rivers in the National Wild and Scenic Rivers System, a total of 38 rivers in five states. These nationally recognized rivers encompass some of the Nation's greatest diversity and concentrations of recreational, natural, and cultural resources. Included among the BLM-managed wild and scenic rivers is the Fortymile River in Alaska, which is the longest designated river in the National Wild and Scenic Rivers System.

Rivers designated in the National Wild and Scenic Rivers System are classified in one of three categories (wild, scenic, and recreational), depending on the extent of development and accessibility along each section. In addition to being free flowing, these rivers and their immediate environments must possess at least one outstandingly remarkable value—scenic, recreational, geologic, fish and wildlife, historic, cultural, or other similar values.

Headwaters Forest Reserve: The Headwaters Forest Reserve, located in central Humboldt County, California, was acquired from private owners by the BLM and the State of California. While title is held by BLM, this area is co-managed by the BLM and the State of California to protect the stands of old-growth redwoods that provide habitat for a threatened seabird, the marbled murrelet, as well as the headwaters that serve as a habitat for the threatened coho salmon and other fisheries.

National Trails System: Since the passage of the National Trail System Act in 1968, the BLM has assumed responsibility for sections of 13 national historic or scenic trails designated by Congress. These long-distance trails are among BLM's "Great American Landscapes," showcasing the exploration, westward migration, historic events, and scenic splendor of our country. The BLM manages well over 85 percent of all of the Federal miles along national historic trails. National recreation trails are also a part of the National Trail System Act, and are designated each year by the Departmental Secretary having jurisdiction over the particular trail area.

The BLM's national trails program includes signing, maintenance, protection, coordination of volunteers, planning, interagency coordination, patrol, monitoring, visitor information, and interpretation. Partnerships with many trail organizations enhance the BLM's management efforts. The BLM works closely with the Partnership for the National Trails System and affiliated organizations on many volunteer projects and related conferences.

The BLM manages sections of ten **National Historic Trails**. These ten trails are the Iditarod, Juan Bautista De Anza, California, Nez Perce, Lewis and Clark, El Camino Real de Tierra Adentro, Oregon, Mormon Pioneer, Pony Express, and the Old Spanish National Historic Trail.

The BLM manages sections of three **National Scenic Trails**—the Continental Divide National Scenic Trail, the Pacific Crest National Scenic Trail, and the Potomac Heritage Trail.

National Recreation Trails do not require congressional or presidential approval; they are designated by the Secretary of the Interior. These trails provide a variety of outdoor recreation uses and opportunities in both remote and urban areas. The BLM manages 34 national recreation trails.

Lake Todatonten Special Management Area: The U.S. Congress authorized the creation of the Lake Todatonten Special Management Area located in the interior of Alaska. Lake Todatonten, the central feature of this special management area, is particularly important to waterfowl, which use the area for migration, staging, molting, and nesting. The lake and its surrounding hills are also home to moose, bear, and furbearers.

National Natural Landmarks: The BLM manages 46 national natural landmarks, which are designated by the Secretary of the Interior. To qualify as a national natural landmark, the area must contain an outstanding representative example(s) of the Nation's natural heritage, including terrestrial communities, aquatic communities, landforms, geological features, habitats of native plant and animal species, or fossil evidence of the development of life on earth.

Cultural Heritage Assets

The BLM manages 13 national historic landmarks. These items were designated by the Secretary of the Interior. Table 4 summarizes the number of national historic landmarks under BLM's stewardship.

Table 4 - Number of Cultural Assets

Type of Asset	Number				
	2005 Balance	2006 Increase[1]	2006 Decrease[1]	2006 Net Change	2006 Balance[2]
National Historic Landmarks	21	-	8	-8	13

[1] An increase results from a new designation action or transfers from a different entity, while a decrease results from a previous designation being revoked, reclassified, or transferred to a different entity. In addition, one decrease resulted from a resurvey of the land in FY 2006.

[2] In addition to the 13 NHLs listed above, the BLM manages some portion of the land contained within 5 NHL districts, but either there are no historic structures on the BLM portion of this land or the historic structures are not owned by the BLM.

Museum Collections

Museum collections under BLM's stewardship consist principally of archaeological, historical, and paleontological materials that are managed to professional standards in compliance with applicable laws, and that are accessible to the public.

- Archaeological and Historical Collections: Millions of museum objects have originated from the BLM's archaeological and historical resources. Resources include trails, sites, buildings, structures, and objects from past human life and activities that are significant to American history, architecture, archaeology, engineering, and culture, and that contribute to our understanding of the historical and cultural foundations of our Nation.
- Paleontological Collections: Paleontological materials—the fossilized remains or traces of dinosaurs, extinct plants, mammals, fish, insects, and other organisms from the distant past—are another important source of museum collections that originate from BLM-managed lands. Many of the earliest described and most widely known dinosaurs were excavated from BLM-managed lands. Public lands continue to yield new fossil finds and exciting discoveries that shed light on the history of life.

Collections are used to teach museum visitors about life in the past. Researchers value the collections from public lands as a source of material for scientific data that becomes a permanent part of study and display collections. Scientific publications, textbooks, and articles for the general public are based on information taken from these collections.

Table 5 summarizes the number of facilities holding collections from BLM public lands.

Table 5 - Number of Facilities

Location	Number				
	2005 Balance	2006 Increase[1]	2006 Decrease[1]	2006 Net Change	2006 Balance
Non-Federal (External) Facilities	155	-	(24)	(24)	131
BLM Facilities	3	-	-	-	3

[1] An increase results from a collection being placed in a new facility, while a decrease results from a collection being withdrawn from a facility. Either an increase or a decrease may result from an administrative correction of records. The number of BLM curation facilities was unchanged in FY 2006 while the net number of non-Federal facilities identified as holding BLM collections decreased from 155 to 131. Additional research into facility holdings resulted in 24 facilities being deleted.

Collections in Non-Federal Facilities

Since Europeans first inhabited America, cultural and paleontological objects have been collected from the vast acreage of Federal land. However, it was not until 1906, when the Antiquities Act mandated that permits be issued for excavations, that any control was exercised by the Federal government over the excavation of these materials. In the Department of the Interior, permitting authority was delegated to the Departmental Consulting Archaeologist of the National Park Service, the Department's lead for cultural resource issues. The BLM was created in 1946, but it was not until the mid-1970s that the first Bureau archaeologists were hired. Permitting authority was not delegated to the BLM until September 28, 1984, by Secretarial Order 3104.

Most collections originating from BLM-managed land are housed in non-Federal facilities throughout the country. To date, the Bureau has identified 131 professional facilities in the U.S. and Canada where millions of objects originating from the public lands reside.

These cultural and paleontological objects have been gathered not for the Bureau's use but for the benefit of the public. The BLM has gathered data for all of the non-Federal facilities (type of collection, location, website, year established, attendance figures, collection type, professional organization membership, academic accreditation, museum accreditation and assessments, etc.). This data demonstrates that the facilities are professional institutions capable of caring for Federal collections; however, the BLM does not directly manage the material in the collections.

Since most of the collections originating from BLM-managed land are housed in non-Federal facilities, the BLM's relationship with these curatorial facilities is crucial to the continued management and protection of these collections. Non-Federal facilities provide access to researchers and scientists as well as developing public displays utilizing the collections. Collections in external repositories thus fulfill their mission and are being curated and fully used for public benefit, all at little or no cost to the American public.

Collections in Federal Facilities

Outside of the millions of objects residing in non-Federal facilities, the BLM curates objects in three BLM facilities: the Anasazi Heritage Center (AHC) in Dolores, Colorado, transferred to BLM management in 1988; the Billings Curation Center (BCC) in Billings, Montana, established in 1984; and the National Historic Oregon Trail Interpretive Center (NHOTIC) on Flagstaff Hill, Oregon, opened in 1992. It is the BLM's policy that museum collections will not be housed in the Bureau's field offices.

Anasazi Heritage Center (AHC)

The AHC is the Bureau's only collections facility and museum. It features the Anasazi (ancestral Puebloan) culture as well as other cultures of the Four Corners region. The museum has permanent exhibits, archaeological sites, special exhibits and events, traveling exhibits, educational resources for teachers, archaeological research collections, and an excellent interactive website. AHC collections are principally archaeological materials, along with some historic and paleontological materials.

Billings Curation Center (BCC)

A much smaller entity, the BCC was established to curate artifacts collected from public lands in Montana and North and South Dakota. The primary objectives of the BCC are to assist these three BLM states in complying with the Native American Graves Protection and Repatriation Act (NAGPRA), and to ensure that collections (which are representative of nearly 12,000 years of prehistory and history in the Northern Plains) and associated records

serve scientific researchers, the BLM, and other Federal agency personnel. The center has no gallery spaces, but it does host researchers and interns.

National Historic Oregon Trail Interpretive Center (NHOTIC)

The NHOTIC features exhibits, living history areas (including pioneer encampment and mining), a theater, an outdoor amphitheater, interpretive trails, and a picnic area. It provides majestic scenery and unique vistas of the historic ruts of the Oregon Trail. The center's goal is to interpret the story of the Oregon Trail and its impact on western American history. This is achieved, in large part, through the use of artifacts. Artifacts, along with artwork, text, videos, sound effects, and dioramas, present well-rounded, fact-filled exhibits and programs.

Condition of Stewardship Lands and Heritage Assets

Condition of Stewardship Lands

The Federal Accounting Standards Advisory Board (FASAB) defines "'[l]and' as the solid part of the surface of the earth. Excluded from the definition are the natural resources (that is, depletable resources, such as mineral deposits and petroleum; renewable resources, such as timber; and the outer-continental shelf resources) related to land."[1] Based on this definition, it is the policy of the BLM and the Department of the Interior to consider stewardship land to be in acceptable condition unless an environmental contamination or liability is identified and the land cannot be used for its intended purpose(s). Information regarding the financial liabilities identified as probable or reasonably possible and that affects the condition of stewardship land are located in Financial Statements Note 13, "Environmental and Disposal Liabilities and Other Contingent Liabilities," found earlier in this report. See also the Deferred Maintenance section later in this report. With the exception of an immaterial quantity of land with contamination, the stewardship lands managed by the BLM are in acceptable condition.

Condition of Natural Heritage Assets

The condition of natural heritage assets such as national monuments, wilderness areas, etc., corresponds to that of the condition of the lands on which they are located as these are an integral component of the stewardship lands. Further information is found under Condition of Stewardship Lands above.

Condition of Cultural Properties

The BLM's cultural resource management program was developed in the 1970s to respond to the National Historic Preservation Act of 1966 and Executive Order 11593 of 1971. The most important known properties, including national historic landmarks, are afforded the highest attention.

Each year the Secretary provides the Congress with a listing of damaged or threatened national historic landmarks, as required by Section 8 of Public Law 94-458. This listing does not differentiate according to ownership when any portion of a landmark is judged to be subject to threat. Of the landmarks identified in the current listing where there are some BLM-managed lands involved, the BLM-managed portions of the landmarks are not actively at risk. Landmark condition is carefully monitored by BLM field offices. When active threats are present, appropriate physical or administrative protective measures are applied promptly.

---

[1] Statement of Federal Financial Accounting Standards 29, paragraph 34.

The BLM's cultural resource management program does not specifically include an element called "condition assessment survey." However, historic properties are evaluated continuously. In the past two years, the cultural resource management program has worked with the BLM's Protection and Response Staff to obtain funding to conduct condition assessments at specifically threatened historic properties. Monitoring the rate of natural and human-caused deterioration, and adjusting protection methods and priorities accordingly, is the most commonly applied protection measure where significant properties are known to exist.

Condition of Museum Collections

Background

The museum collections and the associated records under the BLM's stewardship are stored in professional facilities whose mission, among other things, is to preserve them. Generally, museums and facilities preserve museum objects in a manner that is appropriate to the nature of the materials; that protects them from breakage and possible deterioration from diverse temperatures and relative humidity, visible light, ultraviolet radiation, dust, soot, gases, mold, fungus, insects, rodents, and general neglect; that preserves data so it can be studied in future analyses; and that protects collections from fire and theft. It is unavoidable that all museum objects will ultimately deteriorate over time with use. The goal of safeguarding museum objects is to preserve them for as long as possible and to manage their condition during their intended use so as not to unduly hasten their deterioration.

Condition Assessment

The condition of museum collections in BLM facilities is good. These three internal facilities have management and accountability policies, procedures, and systems in place (i.e., governance, finance, security, interpretation, outreach, care or "curation," scope of collections, acquisitions, deaccessioning, legal and safety issues, documentation, and risk management).

The BLM has not conducted inspections of the 131 non-Federal facilities. The Department of the Interior has created a scheme for facility-level condition standards in which one of four standards may be used to assess facility condition. Only one standard is necessary to rate any one particular facility.

- American Association of Museums (AAM) Accreditation: If the facility has received accreditation by the AAM, a "fair" rating was assessed for facility condition.

- Army Corps of Engineers (COE) scores: The U.S. Army Corps of Engineers Mandatory Center of Expertise for the Curation and Management of Archeological Collections scores was used if an assessment was performed for the facility in question.
  - Good Facility Condition: 70 percent or higher score assigned by COE for a facility.
  - Fair Facility Condition: between 50 and 70 percent score assigned by COE for a facility.
  - Poor Facility Condition: less than 50 percent score assigned by COE for a facility.

- Evaluation scores determined by on-site assessments by agency staffs using a Department of the Interior Manual (411 DM) checklist.
  - Good Facility Condition: 70 percent or more of the applicable DOI standards are met at a facility.
  - Fair Facility Condition: between 50 and 70 percent of the applicable DOI standards are met at a facility.
  - Poor Facility Condition: less than 50

percent of the applicable DOI standards are met at a facility.

- Self-certifications by facility staffs: The Department distributed requests for self-certification to facilities for which other on-site assessment data were not yet available. Facility staffs certified whether or not their institution protects Interior collections against risk of damage or loss due to security and environmental risk factors. The self assessment focused on these factors (and associated procedures and controls) because they determine whether or not a collection is in stable condition as measured against 58 professional standards defined in Departmental policy (411DM3.2). If the facility provided a positive self-certification, a "fair" rating was assessed for facility condition.

Using a combination of the standards above, the BLM can state that 81 facilities are in good condition, 19 facilities are in fair condition, and 1 facility is in poor condition. The remaining 30 facilities are deemed to be in unknown condition since they have not been rated according to the above standards.

The Ward Charcoal Ovens are located near Ely, Nevada.

This report displays the estimated dollar value of maintenance not performed when scheduled that has been delayed to a future period. It encompasses general property, plant, and equipment items, as well as stewardship assets. Stewardship assets, as defined in this section, consist of constructed infrastructure such as roads, trails, bridges, major culverts, and dams on BLM land; they do not include land and natural resources on the land or heritage assets. Deferred maintenance includes preventative maintenance, normal repairs, replacement of parts and structural components, and other activities needed to preserve an asset so that it continues to provide acceptable services and achieves its expected life.

DEFERRED MAINTENANCE REPORT

The BLM's capital assets include developed recreation sites and administrative facilities such as fire control facilities, wild horse corrals, and radio communications towers. Roads, trails, bridges, and associated improvements constitute the BLM's transportation system. Currently, the BLM maintains 4,616 buildings, 711 administrative sites, 2,558 recreation sites, 76,088 miles of roads, 856 bridges, 18,420 miles of trails, and 515 hazard-rated dams. These assets support the management, use, and enjoyment of the public lands for commercial, recreational, and other purposes.

The trend has been for the BLM's inventory of fixed capital assets (buildings, roads, recreation sites, etc.) to increase over time. However, as the BLM implements its new Asset Management Plan (AMP), which was developed in 2006, it will begin compiling a list of real property assets that are candidates for disposition. Any asset that is no longer critical to the mission, or that is in such poor condition that it is no longer cost effective to maintain, will be identified for possible disposal. The AMP provides the framework for the BLM to streamline its portfolio of assets and optimize the maintenance of those assets that contribute most significantly to its mission and strategic goals.

The methodology used to determine the 2006 deferred maintenance information first groups capital assets into major asset classes and then uses baseline comprehensive condition assessment surveys performed by expert inspection teams composed of government and contractor personnel. The methodology consists of using field-collected data to (1) develop conceptual cost estimates based on square footage or other units of measure for corrective actions noted in the condition assessment reports, and (2) extrapolate estimates for assets that have not yet had baseline condition assessments. The combination of field-collected data and extrapolation provides the methodology for measuring the total deferred maintenance for each major asset class.

The BLM determines an asset's current replacement value as part of the comprehensive condition assessment survey process. Knowing

the current replacement value allows the BLM to use the industry-standard Facilities Condition Index (FCI) as a method of measuring the condition and change in condition of facilities. The FCI is the ratio of accumulated deferred maintenance to the current replacement value (FCI = Deferred Maintenance/Current Replacement Value). It is an indicator of the depleted value of capital assets. The general rule is that FCI should be below 0.10 for a facility to be considered in good condition.

As of September 1, 2006, the total accumulated deferred maintenance was estimated to range from $387 million to $473 million. The first accompanying table shows deferred maintenance by asset category. The asset categories correspond to the "roll up" format in the Department of the Interior's Annual Report on Performance and Accountability.

A portion of the maintenance backlog has been developed into specific projects and included in the BLM's Five-Year Deferred Maintenance and Capital Improvement Plan. The total deferred maintenance component in the FY 2007–2011 Plan is $193 million; this is shown by future funding year and subactivity (funding source) in the second accompanying table. The $193 million includes project-specific work, along with project and contract management, condition assessments, information technology, and other work directly related to deferred maintenance.

Unlike buildings, structures, or machinery, land, defined by the Federal Accounting Standards Advisory Board (FASAB) as the solid part of the earth (i.e., rocks and sediment), is not subject to periodic and/or recurring maintenance. There is no deferred maintenance to be reported for land, including natural heritage assets. All land is considered to be in acceptable condition except for those areas with environmental contamination. Information regarding the financial liabilities identified as probable or reasonably possible and that affects the condition of stewardship land are located in Financial Statements Note 13, "Environmental and Disposal Liabilities and Other Contingent Liabilities," found earlier in this report. There is also no deferred maintenance to report for national historic landmarks, since these structures are rated as being in acceptable condition. The three BLM facilities holding museum collections are in good condition, and no deferred maintenance is reported for them.

Estimated Range Of Deferred Maintenance By Asset Category (Dollars In Thousands)								
			Estimated Range of Deferred Maintenance for 2006					
			General PP&E		Stewardship PP&E		Total	
Asset Category	Items Covered Note (1)	Condition Category Note (2)	Low	High	Low	High	Low	High
Roads, Bridges, Major Culverts, and Trails	A,B,C,D	G, F, P	-	-	$228,067	$278,749	$228,067	$278,749
Dams	A,B,C,D	G, F, P	-	-	$21,594	$26,393	$21,594	$26,393
Buildings on Administrative and Recreation Sites	A,B,C,D	G, F, P	$59,571	$72,809	-	-	$59,571	$72,809
Other Structures on Administrative and Recreation Sites	A,B,C,D	G, F, P	$77,837	$95,134	-	-	$77,837	$95,134
Total			$137,408	$167,943	$249,661	$305,142	$387,069	$473,085

Note (1) Items Covered:

A – Critical Health and Safety Deferred Maintenance: A facility deferred maintenance need that poses a serious threat to public or employee safety.

B – Critical Resource Protection Deferred Maintenance: A facility deferred maintenance need that poses a serious threat to natural or cultural resources.

C – Critical Mission Deferred Maintenance: A facility deferred maintenance need that poses a serious threat to a bureau's ability to carry out its assigned mission.

D – Compliance and other Deferred Maintenance: A facility deferred maintenance need that will improve public or employee safety, health, or accessibility; compliance with codes, standards, laws, complete unmet programmatic needs and mandated programs; and protection of natural or cultural resources to enhance a bureau's ability to carry out its assigned mission.

Note (2) Condition Assessment:

Good – Facility/equipment condition meets established maintenance standards, operates efficiently, and has a normal life.

Fair – Facility/equipment condition meets minimum standards but requires additional maintenance or repair to prevent further deterioration, increase operating efficiency, and achieve normal life expectancy.

Poor – Facility/equipment does not meet most maintenance standards and requires frequent repairs to prevent accelerated deterioration and provide a minimal level of operating function. In some cases that includes condemned or failed facilities.

Based on periodic condition assessments, an indicator of condition is the percent of facilities and items of equipment in each of the good, fair, or poor categories.

Deferred Maintenance By Future Funding Year And Subactivity (Funding Source) (Dollars In Thousands)						
	Planned Deferred Maintenance Work [1]					
Funding Source	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	Total
MLR Deferred Maintenance [2]	$34,756	$36,428	$36,357	$37,457	$38,007	$183,005
O&C Deferred Maintenance [3]	$1,059	$1,059	$1,059	$1,059	$1,059	$5,295
Construction	$685	$572	$32	$449	$155	$1,893
Wildland Fire [4]	$2,280	$651	$0	$0	$308	$3,239
Total	$38,780	$38,710	$37,448	$38,965	$39,529	$193,432

[1] This table shows the deferred maintenance that has been developed into specific projects and included in the BLM's Five-Year Deferred Maintenance and Capital Improvement Plan. The $193 million total for FY 2007–2011 includes other costs for project and contract management, condition assessments, information technology, and other work directly related to managing and reducing the maintenance backlog. The table does not include the capital improvement work associated with the projects.

[2] Management of Lands and Resources (MLR) is the major appropriation category in the BLM's annual budget.

[3] Oregon and California Grant Lands (O&C) is a minor appropriation category that covers certain counties in western Oregon.

[4] Deferred maintenance for BLM projects only. The BLM's Five-Year Plan includes Wildland Fire projects for the Bureau of Indian Affairs, Fish and Wildlife Service, and National Park Service. Wildland Fire funding for these other bureaus comes through the BLM's appropriation for Wildland Fire Management.

INVESTMENT IN RESEARCH AND DEVELOPMENT REPORT

Table 1 – Investment in Research and Development (Outlays in Millions of Dollars)						
Category	2002	2003	2004	2005	2006 [1]	TOTAL
Applied Research	12.0	10.9	14.0	13.6	15.9	66.4
Development	.4	1.5	2.6	7.0	7.1	18.6
Total	12.4	12.4	16.6	20.6	23.0	85.0
[1] Outlays are estimated for 2006.						

Program Overview

The primary objective of the BLM's research and development program is to make better use of new data, information, and knowledge to improve the management of our Nation's public lands and resources. The BLM's research and development program focuses on working with partners to identify scientific information needs and then communicating these needs to research agencies, universities, and other non-governmental organizations. Outlays for BLM's research and development program are shown above in Table 1. Applied research refers to a study to gain the knowledge or understanding needed to determine how a recognized and specific need can be met. Development refers to using knowledge and understanding gained from research to produce useful materials, devices, systems, or methods, including the design and development of prototypes and processes.

The BLM has developed a formal science strategy that includes a process for identifying high-priority science needs and then meeting these needs either internally or in collaboration with science partners, such as the United States Geological Survey (USGS), other agency science providers, and universities. The strategy also includes identifying and cataloging scientific opportunities on the public lands, such as those found within national monuments, national conservation areas, and research natural areas. The BLM is currently preparing management plans for several national monuments and national conservation areas that will highlight science opportunities and research needs.

The USGS serves as the primary research science bureau for the Department of the Interior, addressing the scientific questions and research needs of the land management bureaus. The BLM relies on the science capabilities within the USGS as its largest single source of scientific research support, although the BLM also works with other Federal agencies, state agencies, and other organizations to meet its overall science needs. The USGS geologic, water resources, and geography disciplines support the BLM's mineral assessment, mining-

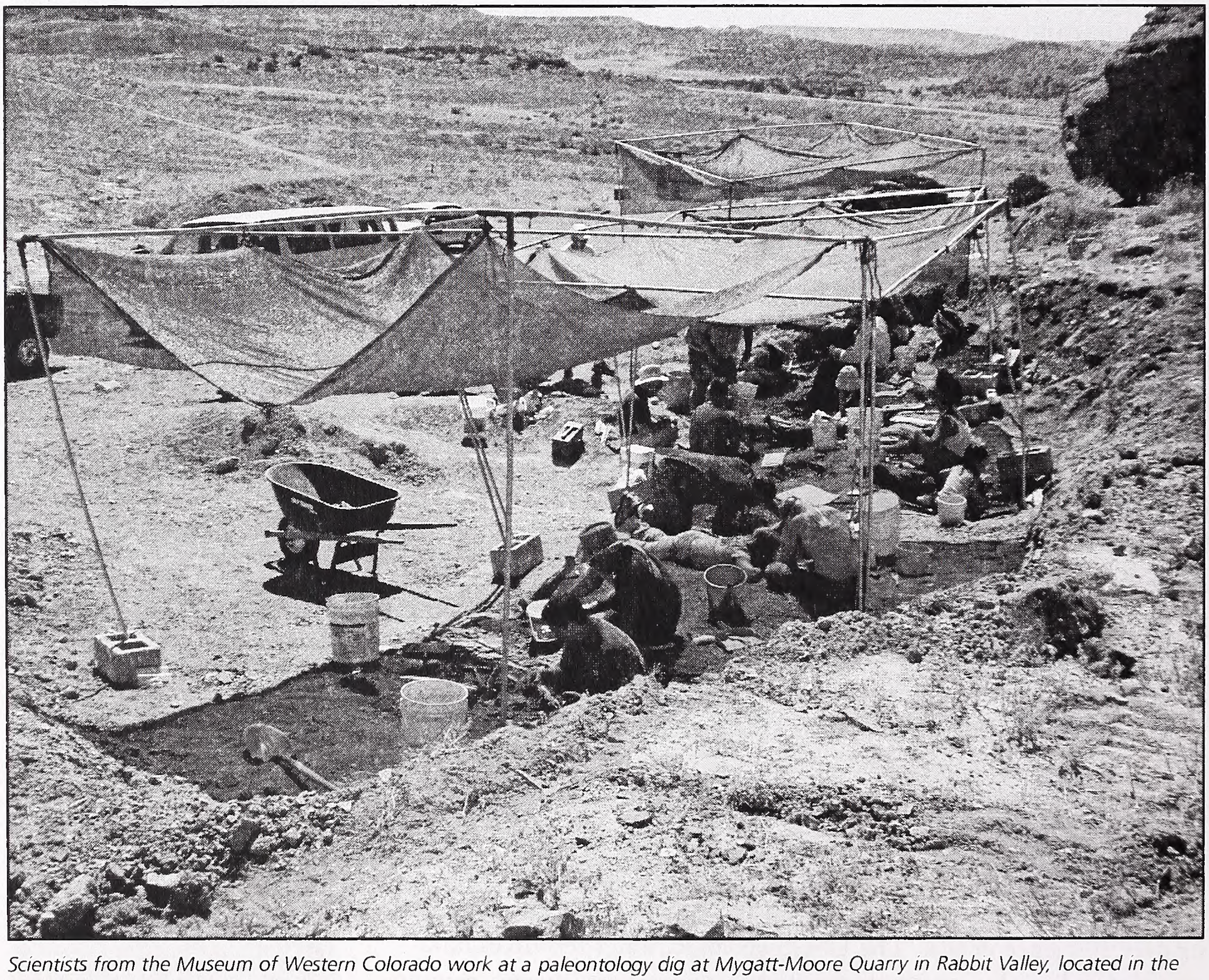
related hydrologic studies, and abandoned mine land efforts. The USGS biological resources discipline addresses most of the BLM's science needs relating to the management of biological resources.

The BLM is a founding partner in the network of Cooperative Ecosystem Studies Units (CESUs) that has been established recently at several of the Nation's leading universities by a number of Federal agencies. The BLM is increasingly making use of these CESU partnerships both to meet its own science needs and to involve U.S. universities and colleges to a greater extent in providing sound science for managing the public lands and resources.

Research and Development Activities

In 2006, the BLM began new and continued past research and development efforts, including:

- Initiating new study treatments to develop and test new options for young stand management to meet Northwest Forest Plan objectives in western Oregon.
- Laying the foundation for future management actions for protection. Projects will include establishing baselines for resources in BLM's National Monuments and National Conservation Areas,



Scientists from the Museum of Western Colorado work at a paleontology dig at Mygatt-Moore Quarry in Rabbit Valley, located in the McInnis Canyons National Conservation Area in western Colorado.

understanding and evaluating the effects of energy development in the Rocky Mountain and Alaskan regions, improving management of western forests, controlling exotic species and weeds, and restoring shrub-steppe and arid desert habitats.

- Continuing a multi-agency partnership studying the dynamics of Alaska's Bering Glacier, focusing on the evolution of the glacier's terminal regions and the effects on the surrounding ecosystem, describing and understanding the areas flora and fauna, evaluating potential flood hazards associated with ice-dammed lakes, and understanding the glacier's response to ongoing climate change.

- Conducting research and monitoring the effects of prescribed fire in the California sequoia forests for the purpose of using prescribed fire most effectively as a means to maintain giant sequoia grove health while reducing fuel hazards.

- Analyzing Mancos shale landscapes in the Gunnison Gorge Conservation Area for salt and sediment contributions in relation to plant populations, soil chemistry and erosion properties to better understand how salinity and selenium affect surface and ground water.

- Developing a Geographic Information System risk assessment for wildland fire and hazardous fuel treatments to improve the protection of cultural resource sites.

Moose can be found throughout public lands in Alaska.

- Studying the effects of fragmented habitats and energy development on sage grouse ecology and behavior in the Great Basin and adjacent areas.

- Expanding the Native Plant Materials Development Project, a program of seed collections and genetic and seed germination research efforts directed at developing seed bank and plant cultivars for restoring native plant populations and degraded ecosystems in several western states. This project is a combined effort of the BLM and nonprofit organizations, universities, Federal, state, and local government agencies to address continued habitat deterioration and restore biodiversity in western ecosystems.

- Understanding and promoting forest diversity and protecting riparian and aquatic resources through the Cooperative Forest Ecosystem Research project in the Pacific Northwest. Most of the research related to the Northwest Forest Plan is long-term in scope and is expected to continue for several years.

A BLM range technician counts cottonwood saplings near Pablo Rapids in Montana as part of the Cooperative Cottonwood Study being conducted by the BLM and the U.S. Geological Survey in the Upper Missouri River Breaks National Monument.

United States Department of the Interior

OFFICE OF INSPECTOR GENERAL
Washington, DC 20240

FEB 12 2007

Memorandum

To: Director, Bureau of Land Management

From: Anne L. Richards
Assistant Inspector General for Audits

Subject: Independent Auditors' Report on the Bureau of Land Management Financial Statements for Fiscal Years 2006 and 2005 (Report No. X-IN-BLM-0022-2006)

INTRODUCTION

This memorandum transmits the KPMG LLP (KPMG) auditors' report of the Bureau of Land Management (BLM) financial statements for fiscal years 2006 and 2005 (Attachment 1). The Chief Financial Officers Act of 1990 (Public Law 101-576), as amended, requires the Inspector General or an independent auditor, as determined by the Inspector General, to audit the Department of the Interior (DOI) financial statements. Under a contract issued by DOI and monitored by the Office of Inspector General (OIG), the independent public accounting firm KPMG performed an audit of the BLM fiscal years 2006 and 2005 financial statements. The contract required that the audit be performed in accordance with the "Government Auditing Standards" issued by the Comptroller General of the United States and with Office of Management and Budget Bulletin No. 06-03, "Audit Requirements for Federal Financial Statements."

RESULTS OF INDEPENDENT AUDIT

In its audit report dated November 6, 2006, KPMG issued an unqualified opinion on the BLM financial statements. However, KPMG identified a reportable condition in internal controls over financial reporting, which was not considered to be a material weakness. KPMG also found one deficiency in BLM internal controls over Required Supplementary Information. In addition, KPMG identified one instance where BLM did not comply with laws and regulations, specifically the Federal Financial Management Improvement Act of 1996 (FFMIA). The report contains three recommendations that, if implemented, should resolve the findings.

STATUS OF RECOMMENDATIONS

In its January 12, 2007 response (Attachment 2) to the draft report, BLM agreed with one of the three findings and disagreed with the other two findings. BLM also addressed each recommendation, stating that it was in the process of implementing one, and disagreed with two of the recommendations (see Attachment 3, "Status of Audit Report Recommendations").

All three recommendations are repeat recommendations that were made in last year's Report No. X-IN-BLM-0012-2005. One of the three repeat recommendations was closed after the Assistant Secretary for Policy, Management and Budget received documentation that the recommendation had been implemented. However, the actions taken by BLM did not fix the condition. Therefore, KPMG found the same condition and made the same recommendation this year. We will refer this repeat recommendation to the Assistant Secretary for tracking of implementation. In its response, BLM disagreed with the remaining two repeat recommendations. We will refer these two repeat recommendations to the Assistant Secretary for resolution.

EVALUATION OF KPMG AUDIT PERFORMANCE

To fulfill our monitoring responsibilities, the OIG:

- assessed KPMG's approach and planning of the audit;
- evaluated the qualifications and independence of the auditors;
- monitored the progress of the audit at key points;
- participated in periodic meetings with BLM management to discuss audit progress, findings, and recommendations;
- reviewed and accepted KPMG's audit report; and
- performed other procedures we deemed necessary.

KPMG is responsible for the attached auditors' report and for the conclusions expressed in the report. We do not express an opinion on BLM financial statements or KPMG conclusions on the effectiveness of internal controls or compliance with laws, regulations, and FFMIA.

REPORT DISTRIBUTION

The legislation, as amended, creating the OIG requires semiannual reporting to the Congress on all audit reports issued, actions taken to implement audit recommendations, and recommendations that have not been implemented. Therefore, we will include this report in our next semiannual report. The distribution of the report is not restricted, and copies are available for public inspection.

We appreciate the courtesies and cooperation extended to KPMG and OIG staff during the audit. If you have any questions regarding the report, please contact me at 202-208-5512.

Attachments (3)

cc: Assistant Secretary, Land and Minerals Management
Audit Liaison Officer, Land and Minerals Management
Chief Financial Officer, Bureau of Land Management
Audit Liaison Officer, Bureau of Land Management

Acting Focus Leader, Management Control and Audit Follow-up, Office of Financial Management
Focus Leader, Financial Reporting, Office of Financial Management

ATTACHMENT 1

KPMG LLP
Suite 2700
707 Seventeenth Street
Denver, CO 80202

Independent Auditors' Report

The Director of the Bureau of Land Management and
the Inspector General of the U.S. Department of the Interior:

We have audited the accompanying consolidated balance sheets of the Bureau of Land Management (BLM) as of September 30, 2006 and 2005, and the related consolidated statements of net cost, changes in net position, financing, and custodial activity, and the combined statements of budgetary resources (hereinafter referred to as "consolidated financial statements") for the years then ended. The objective of our audits was to express an opinion on the fair presentation of these financial statements. In connection with our fiscal year 2006 audit, we also considered BLM's internal control over financial reporting, Required Supplementary Stewardship Information, and performance measures and tested BLM's compliance with certain provisions of applicable laws, regulations, contracts, and grant agreements that could have a direct and material effect on these financial statements.

SUMMARY

As stated in our opinion on the consolidated financial statements, we concluded that BLM's consolidated financial statements as of and for the years ended September 30, 2006 and 2005, are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles.

As discussed in our opinion, in fiscal year 2006, BLM changed its method of accounting for and reporting of earmarked funds, heritage assets, and certain allocation transfers to adopt changes in accounting standards and Office of Management and Budget (OMB) requirements.

Our consideration of internal control over financial reporting, Required Supplementary Stewardship Information, and performance measures resulted in the following condition being identified as a reportable condition. However, the reportable condition is not believed to be a material weakness:

A. Accounting for Mineral Leases

We also noted the following deficiency in internal control over Required Supplementary Information that, in our judgment, could adversely affect BLM's ability to collect, process, record, and summarize this information.

B. Reporting the Condition of Museum Collections

The results of our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements disclosed the following instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Bulletin No. 06-03, *Audit Requirements for Federal Financial Statements*:

C. Federal Financial Management Improvement Act of 1996 (FFMIA)

The following sections discuss our opinion on BLM's consolidated financial statements; our consideration of BLM's internal control over financial reporting, Required Supplementary Stewardship Information, and performance measures; our tests of BLM's compliance with certain provisions of applicable laws, regulations, contracts, and grant agreements; and management's and our responsibilities.

OPINION ON THE FINANCIAL STATEMENTS

We have audited the accompanying consolidated balance sheets of the BLM as of September 30, 2006 and 2005, and the related consolidated statements of net cost, changes in net position, financing, and custodial activity, and the combined statements of budgetary resources for the years then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the BLM as of September 30, 2006 and 2005, and its net costs, changes in net position, budgetary resources, reconciliation of net costs to budgetary obligations, and custodial activity for the years then ended, in conformity with U.S. generally accepted accounting principles.

As discussed in note 16 to the consolidated financial statements, BLM changed its method of accounting for and reporting earmarked funds in fiscal year 2006 to adopt the provisions of the Federal Accounting Standards Advisory Board (FASAB) Statement of Federal Financial Accounting Standards (SFFAS) No. 27, *Identifying and Reporting Earmarked Funds*. As discussed in note 9 to the consolidated financial statements, BLM changed its method of reporting for heritage assets and stewardship land in fiscal year 2006 to adopt the applicable provisions of the SFFAS No. 29, *Heritage Assets and Stewardship Land*. Also, as discussed in note 20 to the consolidated financial statements, BLM changed its method of accounting for and reporting certain allocation transfers in fiscal year 2006 to adopt the new requirements of OMB Circular A-136, *Financial Reporting Requirements*.

The information in the Management's Discussion and Analysis, Required Supplementary Stewardship Information, and Required Supplementary Information sections is not a required part of the consolidated financial statements, but is supplementary information required by U.S. generally accepted accounting principles and OMB Circular No. A-136. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this information. However, we did not audit this information and, accordingly, we express no opinion on it. As a result of such limited procedures, we believe that the Required Supplementary Information for museum collections is not presented in conformity with U.S. generally accepted accounting principles because the Required Supplementary Information disclosures for museum collections disclose the condition of the facility housing the museum collection rather than the condition of the underlying museum collection.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Our consideration of internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions. Under standards issued by the American Institute of Certified Public Accountants, reportable conditions are matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect BLM's ability to record, process, summarize, and report financial data consistent with the assertions by management in the consolidated financial statements.

Material weaknesses are reportable conditions in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud, in amounts that would be material in relation to the consolidated financial statements being audited, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Because of inherent limitations in internal control, misstatements due to error or fraud may nevertheless occur and not be detected.

In our fiscal year 2006 audit, we noted a certain matter, discussed below, involving internal control over financial reporting and its operation that we consider to be a reportable condition. However, the reportable condition is not believed to be a material weakness. Exhibit I presents the status of prior year reportable conditions.

A. Accounting for Mineral Leases

BLM processes collections from mineral leasing activity on its public lands, which includes leases for oil, gas, and coal. BLM collects the first year rent and bonus bid deposits related to this activity. These amounts are initially recorded as a liability awaiting adjudication. The adjudication process encompasses BLM's issuance or dismissal of a lease and is the determining factor in recognizing custodial revenue in BLM's consolidated statements of custodial activity. If adjudication results in a lease, the collections are transferred to the Minerals Management Service (MMS), which disburses the funds along with subsequent rents and royalties to states and other federal agencies. If a lease is not accepted, the collections are refunded. During fiscal year 2006, the BLM transferred approximately $293 million to MMS.

BLM needs to improve procedures and related internal controls over the accounting for mineral lease activity and the transfers of monies to MMS. Specifically, we noted the following:

- BLM has not developed an effective accounting process for recognizing custodial revenue, and the management review and authorization control over journal entries for mineral lease activity was not properly designed. The third quarter 2006 consolidated statement of custodial activity was understated by $56 million due to an error in custodial revenue which was not identified during management's review of the quarterly journal entries to post such activity and its review of the financial statements. Through June 30, 2006, BLM transferred approximately $256 million to MMS; however, the BLM reported $200 million as transferred to MMS on its June 30, 2006 consolidated statement of custodial activity. Both BLM and MMS corrected this error at year-end.
- BLM does not adhere to its policy to prepare and date the transmittal form on the same date the lease agreement is executed. The transmittal form contains detailed accounting information and is used to transfer monies to MMS. MMS uses information on the form to make disbursements. BLM's accounting division uses the form to determine the period in which lease revenues should be recognized, which is to correspond with the execution of a lease agreement. We identified one instance in which the transmittal form was not dated the same date as the lease and one instance in which the transmittal form was not dated.
- BLM does not consistently comply with the policies and procedures over the review of lease/transmittal information sent to MMS. We identified 14 instances out of a sample of 88 items in which a review of the MMS transmittal form was not verified and initialed by a BLM supervisor for its accuracy. A lack of secondary review over this process increases the risk that amounts will be misclassified and incorrectly reported.
- BLM does not consistently transfer monies to MMS in a timely manner. BLM policy is to transfer monies to MMS within 14 days of signing the lease agreement. We selected a sample of 88 leases and determined that, on average, it took 28 days to complete the transfer once the lease had been signed, and, in some cases took up to 120 days.

Recommendation

BLM should improve its procedures and related internal controls over the accounting for mineral lease activity and the transfer of monies to MMS.

Management Response

Management has prepared an official response presented as a separate attachment to this report. In summary, management agreed with our findings and its comments were responsive to our recommendation.

INTERNAL CONTROLS OVER REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION AND PERFORMANCE MEASURES

Under OMB Bulletin No. 06-03, the definition of material weaknesses is extended to other controls as follows. Material weaknesses are reportable conditions in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud, in amounts that would be material in relation to the Required Supplementary Stewardship Information or material to a performance measure or aggregation of related performance measures, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Because of inherent limitations in internal control, misstatements due to error or fraud may nevertheless occur and not be detected.

Our consideration of the internal control over the Required Supplementary Stewardship Information and the design and operation of internal control over the existence and completeness assertions related to performance measures reported in the Management's Discussion and Analysis section would not necessarily disclose all matters involving the internal control and its operation related to Required Supplementary Stewardship Information or the design and operation of the internal control over the existence and completeness assertions related to key performance measures that might be reportable conditions.

In our fiscal year 2006 audit, we noted no matters involving the internal control and its operation related to Required Supplementary Stewardship Information that we considered to be material weaknesses as defined above.

In our fiscal year 2006 audit, we noted no matters involving the design and operation of the internal control over the existence and completeness assertions related to key performance measures that we considered to be material weaknesses as defined above.

INTERNAL CONTROLS OVER REQUIRED SUPPLEMENTARY INFORMATION

We noted a certain deficiency in internal control over Required Supplementary Information described in the following paragraphs that, in our judgment, could adversely affect BLM's ability to collect, process, record, and summarize Required Supplementary Information.

B. Reporting the Condition of Museum Collections

BLM has not assessed, in accordance with the Department of the Interior's standards, the condition of 30 of its 134 identified facilities.

In addition, BLM did not disclose the condition of museum collections in accordance with the accounting standards, as BLM disclosed the condition of the facility housing the collection rather than the condition of the underlying museum collection. Accounting standards applicable to condition assessments of museum collections include SFFAS Number 29, *Heritage Assets and Stewardship Land*, which amends SFFAS No. 8 and No. 6, and establishes the disclosure requirements for museum collections. The standard requires BLM to assess the condition of museum collections.

4

BLM considers museum collections to be in stable condition if the facility housing the museum collection is in stable condition. If a collection is housed in a poor facility, the condition of the collection would be considered "poor," regardless of the actual condition of the collection itself. If that same collection is moved to a new facility which is in good condition, the collection would then be considered in "good" condition because the surrounding environment is in "good" condition and any environmental problems contributing to the deterioration of the collection would improve because of the condition of the new facility.

Recommendation

BLM should assess and disclose the condition of museum collections rather than the facility housing the collection. Although the condition of the facility may be an important criterion in determining the condition of the museum collection, we recommend that BLM consider other factors, such as whether or not BLM intends to improve the collection, in defining the acceptable condition for museum collections. Also, BLM should complete its assessment of all museum collections.

Management Response

Management has prepared an official response presented as a separate attachment to this report. In summary, management disagreed with our recommendation.

Auditors' Response to Management's Response

We have modified our report to correct the number of facilities assessed by BLM. However, BLM has not completed assessments on all identified facilities. Further, we believe reporting the condition of the facility does not address the condition of the individual museum collections. The combination of these two conditions results in incomplete disclosures of museum collections. We encourage BLM to continue to seek guidance from FASAB for reporting museum collections.

COMPLIANCE AND OTHER MATTERS

Our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, as described in the Responsibilities section of this report, exclusive of those referred to in FFMIA, disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 06-03.

The results of our tests of FFMIA disclosed instances described below where BLM's financial management systems did not substantially comply with the Federal accounting standards. The results of our tests of FFMIA disclosed no instances in which BLM's financial management systems did not substantially comply with Federal financial management system requirements and the United States Standard General Ledger at the transaction level.

C. Federal Financial Management Improvement Act of 1996

As discussed in the section of our report entitled Internal Controls over Required Supplementary Information, BLM needs to improve its policies and procedures for reporting the condition of museum collections.

SFFAS No. 8, *Supplementary Stewardship Reporting*, paragraph 50, establishes minimum reporting requirements for museum collections. This standard requires BLM to report in its stewardship section of its annual report the condition of museum collections. Our audit determined BLM's disclosures on the condition of such collections are substantially not complete, given BLM has not assessed a large number of the nonfederal facilities containing BLM museum collections, and such assessments don't address the underlying condition of the individual museum items.

5

SFFAS No. 29, *Heritage Assets and Stewardship Land*, note 11 to paragraph 26 provides the following on how to determine the condition of an asset: "Condition is the physical state of an asset. The condition of an asset is based on an evaluation of the physical status/state of an asset, its ability to perform as planned, and its continued usefulness. Evaluating an asset's condition requires knowledge of the asset, its performance capacity and its actual ability to perform, and expectations for its continued performance. The condition of a long-lived asset is affected by its durability, the quality of its design and construction, its use, the adequacy of maintenance that has been performed, and many other factors, including: accidents (an unforeseen and unplanned or unexpected event or circumstance), catastrophes (a tragic event), disasters (a sudden calamitous event bringing great damage, loss, or destruction) and obsolescence."

Recommendation

BLM should strengthen its policies and procedures to ensure the condition of museum collections are prepared in accordance with Federal accounting standards. Also, BLM should complete its assessment of all museum collections.

Management Response

Management has prepared an official response presented as a separate attachment to this report. In summary, management disagreed with our recommendation.

Auditors' Response to Management's Response

As discussed in the section of our report entitled Internal Controls over Required Supplementary Information, Federal accounting standards require BLM to report in its annual report the condition of museum collections. BLM has assessed the condition of museum collections at the facility level for 104 of 134 facilities. However, it has not completed assessments on all identified facilities. Further, we believe reporting the condition of the facility does not address the condition of the individual museum collections. The combination of these two conditions results in incomplete disclosures of museum collections. We believe BLM needs to improve its reporting in this area to meet the requirements of the Federal accounting standards.

* * * * * * *

RESPONSIBILITIES

Management's Responsibilities. The United States Code Title 31 Section 3515 and 9106 require agencies to report annually to Congress on their financial status and any other information needed to fairly present their financial position and results of operations. To assist the U.S. Department of the Interior (Interior) meet these reporting requirements, the BLM prepares consolidated financial statements in accordance with OMB Circular No. A-136.

Management is responsible for the consolidated financial statements, including:

- Preparing the consolidated financial statements in conformity with U.S. generally accepted accounting principles;
- Preparing the Management's Discussion and Analysis (including the performance measures), Required Supplementary Information, and Required Supplementary Stewardship Information;
- Establishing and maintaining effective internal controls over financial reporting; and
- Complying with laws, regulations, contracts, and grant agreements applicable to BLM, including FFMIA.

6

In fulfilling this responsibility, management is required to make estimates and judgments to assess the expected benefits and related costs of internal control policies.

Auditors' Responsibilities. Our responsibility is to express an opinion on the fiscal year 2006 and 2005 consolidated financial statements of BLM based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Bulletin No. 06-03. Those standards and OMB Bulletin No. 06-03 require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of BLM's internal control over financial reporting. Accordingly, we express no such opinion.

An audit also includes:

- Examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements;
- Assessing the accounting principles used and significant estimates made by management; and
- Evaluating the overall consolidated financial statement presentation.

We believe that our audits provide a reasonable basis for our opinion.

In planning and performing our fiscal year 2006 audit, we considered BLM's internal control over financial reporting by obtaining an understanding of BLM's internal control, determining whether internal controls had been placed in operation, assessing control risk, and performing tests of controls in order to determine our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements. We limited our internal control testing to those controls necessary to achieve the objectives described in *Government Auditing Standards* and OMB Bulletin No. 06-03. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*. The objective of our audit was not to provide an opinion on BLM's internal control over financial reporting. Consequently, we do not provide an opinion thereon.

As required by OMB Bulletin No. 06-03, in our fiscal year 2006 audit, we considered BLM's internal control over the Required Supplementary Stewardship Information by obtaining an understanding of BLM's internal control, determining whether these internal controls had been placed in operation, assessing control risk, and performing tests of controls. We limited our testing to those controls necessary to test and report on the internal control over Required Supplementary Stewardship Information in accordance with OMB Bulletin No. 06-03. However, our procedures were not designed to provide an opinion on internal control over the Required Supplementary Stewardship Information and, accordingly, we do not provide an opinion thereon.

As further required by OMB Bulletin No. 06-03, in our fiscal year 2006 audit, with respect to internal control related to performance measures determined by management to be key and reported in the Management's Discussion and Analysis section, we obtained an understanding of the design of internal controls relating to the existence and completeness assertions and determined whether these internal controls had been placed in operation. We limited our testing to those controls necessary to test and report on the internal control over key performance measures in accordance with OMB Bulletin No. 06-03. However, our procedures were not designed to provide an opinion on internal control over reported performance measures and, accordingly, we do not provide an opinion thereon.

As part of obtaining reasonable assurance about whether BLM's fiscal year 2006 consolidated financial statements are free of material misstatement, we performed tests of BLM's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of the consolidated financial statement amounts, and certain provisions of other laws and regulations specified in OMB Bulletin No. 06-03, including certain provisions referred to in FFMIA. We limited our tests of compliance to the provisions described in the preceding sentence, and we did not test compliance with all laws, regulations, contracts, and grant agreements applicable to BLM. However, providing an opinion on compliance with laws, regulations, contracts, and grant agreements was not an objective of our audit and, accordingly, we do not express such an opinion.

Under OMB Bulletin No. 06-03 and FFMIA, auditors are required to report whether certain federal entities' financial management systems substantially comply with (1) Federal financial management systems requirements, (2) applicable Federal accounting standards, and (3) the United States Government Standard General Ledger at the transaction level. To assist the auditors of the U.S. Department of the Interior meet this requirement, we performed tests of compliance with FFMIA Section 803(a) requirements.

We noted certain additional matters that we have reported to management of BLM in a separate letter dated November 6, 2006.

RESTRICTED USE

This report is intended solely for the information and use of BLM's management, Interior's management, Interior's Office of Inspector General, OMB, the U.S. Government Accountability Office, and the U.S. Congress and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

November 6, 2006

8

Exhibit I

Bureau of Land Management

Summary of the Status of Prior Year
Reportable Conditions and Significant Deficiencies

September 30, 2006

Ref	Condition	Status
A	Security and Internal Control over Information Technology Systems	This condition has been downgraded to a management letter comment in fiscal year 2006.
B	Adequate Segregation of Duties over Purchases	This condition has been downgraded to a management letter comment in fiscal year 2006.
C	Accounting for Mineral Leases	This condition has not been corrected and is repeated in fiscal year 2006. See finding A.
D	Recording Year-end Liabilities	This condition has been corrected.
E	Reporting of Performance Measure Information in Management's Discussion and Analysis	This condition has been corrected.
F	Reporting of Condition of Stewardship Land	This condition has been corrected.
G	Reporting the Condition of Museum Collections	This condition has not been corrected and is repeated in fiscal year 2006. See finding B.
H	Reporting of Deferred Maintenance Amounts for Stewardship Land	This condition has been corrected.
I	Federal Accounting Standards	This condition has been partially corrected. See finding C.

ATTACHMENT 2

United States Department of the Interior

BUREAU OF LAND MANAGEMENT
Washington, D.C. 20240
http://www.blm.gov

JAN 1 2 2007

In Reply Refer To:
1306 (BC-610)

Memorandum

To: Assistant Inspector General for Audits

From: For Kathleen Clarke
Director, Bureau of Land Management

Subject: Draft Independent Auditors' Report on the Bureau of Land Management's (BLM) Financial Statements for Fiscal Years 2006 and 2005 (Assignment No. X-IN-BLM-0022-2006)

Thank you for the opportunity to review and comment on the above-referenced draft report. We appreciate the efforts that the Office of Inspector General and KPMG have provided on our behalf. The BLM's written comments and responses are detailed in the attachment.

If you have any questions regarding this response, please contact Helen Prosser, BLM National Business Center, at (303) 236-6329.

Attachment

Draft Independent Auditors' Report on the Bureau of Land Management's
Financial Statements for Fiscal Years 2006 and 2005
(Assignment No. X-IN-BLM-0022-2006)

Recommendation A: Accounting for Mineral Leases

The BLM needs to improve procedures and related internal controls over the accounting for mineral lease activity and the transfers of monies to Minerals Management Service (MMS).

Response:

The BLM concurs with the recommendations. The following actions have been taken or will be taken to address the specific items noted.

Recognizing custodial revenue
The BLM incorporated into their monthly process, as of the August 2006 reporting period, two additional internal controls to ensure custodial revenue is correctly reported on the Statement of Custodial Activity. The first control is a worksheet analysis to reconcile the Hyperion adjusting entries, IPACs transferred to MMS, and the Statement of Custodial Activity. The second control is a review of the Hyperion entries and worksheet analysis by the Finance Policy and Reporting Branch Supervisor.

Adherence to the BLM's policy to prepare and date the transmittal form on the same day of the lease and the BLM's policy regarding the supervisor's review of the lease and transmittal form.
The BLM's Minerals, Realty and Resource Protection Directorate will provide additional procedural guidance to the State and Field Offices regarding adherence to the BLM's policy defined in an Instruction Memorandum issued March 29, 2006.

The BLM does not consistently transfer monies to MMS in a timely manner.
The KPMG findings were based on leases processed under policy provided in an Instruction Memorandum (IM) issued April 27, 2005. The KPMG states that in some cases it took up to 180 days to transfer the funds to MMS. The KPMG identified two leases; one lease took 116 days and the other took 98 days to transfer.

An IM issued March 29, 2006, replaced the April 27, 2005, policy with new timeframes for the processing of the lease from the date the lease agreement is signed until the monies are transferred to MMS. The BLM's Minerals, Realty and Resource Protection Directorate will provide additional procedural guidance to the State and Field Offices regarding adherence to the BLM's policy.

Recommendation B: Reporting the Condition of Museum Collections

The BLM should assess and disclose the condition of museum collections rather than the facility housing the collection. Although the condition of the facility may be an important criterion in determining the condition of the museum collection, it is recommended that the BLM consider other factors. Also, the BLM should complete its assessment of all museum collections.

Response:

The BLM respectfully does not concur with the recommendation.

The BLM has not assessed, in accordance with the Department of the Interior's (DOI) standards, the condition of 98 of its 131 identified facilities.

The KPMG numbers do not reflect the actual numbers reported by the BLM. The BLM has assessed 104 of the 134 identified facilities. Moreover, the Department of the Interior did not mandate that condition assessments for all collections were to be completed by the end of FY 2006.

The BLM did not disclose the condition of museum collections in accordance with the accounting standards, as BLM disclosed the condition of the facility housing the collection rather than the condition of the underlying museum collection.

The BLM is in full accordance with Departmental policy, standards, and guidance. The KPMG finding was Department-wide and the DOI issued the following response:

> "The Department of the Interior (DOI) respectfully disagrees with this finding. We (DOI) base our disagreement on a complete reading of the standard and our work with the implementation taskforce. In addition, we believe that we comply fully with the referenced standard, base condition assessments of collections on established industry practices and fundamental requirements, and work diligently to fulfill all of our stewardship responsibilities."

In addition, the BLM's interpretation and presentation is in full compliance with the accounting and professional standards related to stewardship responsibilities. The standard explicitly allows flexibility for the preparer to determine a level of meaningful information on stewardship. This methodology is consistent with standard professional museum practice as recommended by museum conservators and museum associations.

The BLM considers museum collections to be in stable condition if the facility housing the museum collection is in stable condition. If a collection is housed in a poor facility, the condition of the collection would be considered "poor," regardless of the actual condition of the collection itself.

The KPMG recommendation directs DOI to report museum collection information on an individual item basis for condition information. This is not a requirement of SFFAS Number 29, *Heritage Assets and Stewardship Land.* The DOI determined that the most relevant information in assessing condition of museum collections is the stability of the environment in which the collection is housed. This methodology was recommended by the Department-wide Interior Museum Property Committee and approved by the Department's Museum Program and the Assistant Secretary – Policy, Management and Budget. This methodology is consistent with

performance measures in the DOI's strategic plan and is consistent with standard professional museum practice as recommended by museum conservators and museum associations. Moreover, attempting to do an item-by-item condition assessment could very well result in additional damage to museum collections through unnecessary handling, so it is therefore not a general museum practice to conduct such assessments.

The DOI's participation in the Federal Accounting Standards Advisory Board's (FASAB), Accounting and Auditing Policy Committee's (AAPC) Taskforce to develop implementation guidance confirms that the DOI and the BLM are in full compliance with SFFAS Number 29.

Improvement of a cultural or natural resources collection or item could be inconsistent with DOI stewardship responsibilities. Improving or changing any item could alter and invalidate any scientific conclusions drawn from those items. Maintenance of the items in a condition in which they are found is directly related to the environment in which they are kept. The American Association of Museums bases their accreditation criteria in a large part upon the environmental conditions, protections that the facilities can sustain and industry best practices that directly tie to this concept. In addition, the Heritage Health Index report on the State of America's Collections identified safe environment and proper care of collections to be the most fundamental responsibility of preservation.

The emphasis for reporting museum collection condition information is correctly placed on the facility housing the museum collection itself, because the facility itself determines whether the collection is in stable condition. Numerous factors such as temperature, relative humidity, and dust and pest control are used to evaluate facilities to determine their ability to minimize any deterioration that could happen to its contents.

<u>Recommendation C</u>: Compliance with the Federal Financial Management Improvement Act of 1996

The BLM should strengthen its policies and procedures to ensure the condition of museum collections are prepared in accordance with federal accounting standards. Also, the BLM should complete its assessment of all museum collections.

<u>Response</u>:

The BLM respectfully do not concur with the recommendation.

<u>SFFAS No. 8, Supplementary Stewardship Reporting, requires BLM to report in its stewardship section of its annual report the condition of museum collections. Our audit determined BLM's disclosures on the condition of such collections are substantially not complete, given BLM has not assessed a large number of the nonfederal facilities containing BLM museum collections.</u>

The BLM believes its reporting of museum collection condition information to be fully in accordance with the intent and purposes of SFFAS 8; and in full accordance with Departmental policy, standards, and guidance. By reporting condition information on 104 of 134 both BLM and non-Federal facilities, 77.6 percent of the collections were reported.

SFFAS No. 29, Heritage Assets and Stewardship Land, Note 11 to paragraph 26 states, "Condition is the physical state of an asset. The condition of an asset is based on an evaluation of the physical status/state of an asset, its ability to perform as planned, and its continued usefulness. Evaluating an asset's condition requires knowledge of the asset, its performance capacity and its actual ability to perform, and expectations for its continued performance. The condition of a long-lived asset is affected by its durability, the quality of its design and construction, its use, the adequacy of maintenance, and many other factors, including accidents, catastrophes, disasters, and obsolescence."

SFFAS 29, Note 11, should be interpreted in terms of the nature of heritage assets rather than general property, plant, and equipment. As stated in the DOI's response, "Improving or changing an item could alter and invalidate any conclusions drawn from those items." The foremost factor for museum collection items is preservation, which is directly controlled by the environmental conditions of the facility holding the collection.

The quality of the facility itself determines whether the collection is in, and will remain in, stable condition. If the museum items are stable with no active deterioration, the items are considered safeguarded, and thus in good condition. A facility not meeting professional standards by experiencing rapid temperature and humidity fluctuations will cause the museum collection to be in need of significant conservation treatment.

The usefulness of a museum collection is to represent those artistic, historic, cultural, or scientific qualities which it embodies for it to be characterized as part of a museum collection. If the item is allowed to deteriorate and lose integrity of those characteristics that make it important, or be destroyed by flood or lost through theft, then it is no longer useful. The planned performance of a museum collection is for it to exist. Items may be made available for exhibitions, research, and/or any other appropriate use for museum objects. A museum collection will naturally deteriorate over time and we believe should be left as is.

ATTACHMENT 3

STATUS OF AUDIT REPORT RECOMMENDATIONS

Recommendation	Status	Action Required
A.	Repeated, resolved; not implemented	Repeat recommendation that was previously referred as Recommendation C in Report No. X-IN-BLM-0012-2005 and closed. We will refer this repeat recommendation to the Assistant Secretary for Policy, Management and Budget for tracking of implementation.
B. and C.	Repeated; unresolved	Recommendations will be referred to the Assistant Secretary for Policy, Management and Budget for resolution.

Cover photo:
Yellowstone River near Pompeys Pillar National Monument in Montana.

Design and production by Jennifer Kapus, BLM's National Science and Technology Center Publishing Staff.

BLM/WO/GI-07/002+1694